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ECONOMIC AFFAIRS



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5 MAY 1986

CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

THEORETICAL BASIS OF PRICE-SETTING EXPLORED

Beijing ZHONGGUO SHEHUI KEXUE [SOCIAL SCIENCES IN CHINA] in Chinese No 3,
May 85 pp 65-78

[Article by Kuang Ri'an [6782 2480 1344]: "Some Issues Concerning Production Prices in Socialist Price Theory"]

[Text] [Editor's note] This article holds that the value of commodities [shangpin 0794 0756] can be determined only by the social labor time required for reproduction of those commodities and not by the social labor time consumed in their production. In addition, this article also demonstrates the objective imperative for translating commodity value into production price. It holds that once production and technology have advanced to a certain height, in sectors in which capital (funds) is an organically low component, a portion of the required work time must inevitably be transferred to sectors in which capital (funds) is an organically high component (including both established and new sectors), with the result that a substantial number of sectors in which the organic component is high develop the required work time necessitated by new technology. This both helps the technological progress of sectors with an organically high component and also helps the sectors with an organically low component to acquire new techniques for making fine products at low cost, thereby promoting steady technological progress throughout society.

Finally, the article discusses the need for planned prices in China to proceed from value as the basis for production prices. Though certain policies must also be taken into consideration for planned prices, in an overall sense, they may not depart from their foundation.

The author, Kuang Ri'an, was born in 1919. He is presently director of the Standing Committee of the Chinese Price Institute, advisor to the Chinese Cost Association, and chairman of the Communications and Transportation Committee of the Chinese Communications and Transportation Society. [End of editor's note]

Issues in socialist price theory are fairly numerous, but this article explores only the following three: commodity value reproduced is the starting point for price-setting; how the price basis can be translated from value to production price; and planned prices must be based on production prices.

I. The Value of Commodities Reproduced Is the Starting Point for Price-Setting

It is frequently said that value is determined by the social labor time required to produce a commodity. But in just what sense is value determined by the social labor time required? This question is still being hotly debated, and the focus of the debate is on how to comprehend accurately Marxist commodity value determination theory. Restructuring of China's price system has entered the stage of being put into practice in recent years, so discussion of this question holds new significance in comparison with the discussions of the 1950's and 1960's. It will have far-reaching effects on the determination of China's socialist prices and on the step-by-step restructuring of China's price system.

There are currently three views on the determination of the value of commodities. The first advocates that commodity value be determined by either the necessary quantity of social labor or the required labor time expended for production use value, i.e., "the amount of work time required to create a certain use value in a situation of average labor proficiency and labor intensiveness under prevailing normal working conditions in society" of which Marx spoke in the first volume of "Das Kapital." (Footnote 1) ("Collected Works of Marx and Engels," Vol 23, p 52) Some people have termed this required social labor time in the primary or original sense. They maintain that commodity value can only be determined from required social labor in this sense. (Footnote 2) (See articles in JINGJI YANJIU [ECONOMIC RESEARCH] No 6, 1983, and in ZHONGGUO SHEHUI KEXUE [CHINESE SOCIAL SCIENCES] No 2, 1984)

The second view holds that commodity value is determined from required social labor time in the secondary sense. Marx said: "It is only when all products [chanpin 3934 0756] are produced in needed proportions that they can be sold. Social labor time may be applied to the quantitative limits of separate portions of various special production areas; this is nothing more than the expression of further development of the overall law of value, though the required labor time holds a different significance here." (Footnote 3) ("Collected Works of Marx and Engels," Vol 25 p 717) Society has a need for a total portion of certain products, and only the products in this portion can achieve their value. This is to say that "under certain conditions, society can only use so much of its total work time on this or that product." (Footnote 4) (Ibid.) When this total work time is exceeded in producing a product, the product will not be saleable. This shows that "it is, in fact, not individual commodities or goods [wupin 3670 0756] that are affected by the laws of value, but rather the total products in individual special production arenas that are mutually independent as a result of the division of labor. Therefore, not only is it necessary to use only the required work time for each commodity, but also to use the required proportion of total social work time on different kinds of commodities." (Footnote 5) (Ibid, p 716) Some comrades term this socially required work time in the secondary sense, and assert that socially required work time in the secondary sense determines value. They also say that "once socially required work time in the second sense exists, the socially required work time in the primary sense no longer determines commodity value." (Footnote 6) (Wang Yongzhi [3769 3057 3112] and Wang Zhenzhi [3769 2182 0037], "Price and Supply/Demand," JINGJI YANJIU, No 6, 1983)

The third view holds that required work time in both senses jointly determines commodity value. They say that "the two different required work times differ in content. . . . One should do as Marx did and deduce conclusions from different angles from these different formulations; i.e., note that both the social required work time expended to produce each and every commodity and, in an overall sense, the required work time that is in keeping with total output of socially needed commodities, are prerequisites in the determination of value." (Footnote 7) (Gu Shutang [6253 2579 1016] and Yang Wuchuan [2799 3768 1557], "Further Exploration of the Determination of Prices and Price Laws," JINGJI YANJIU, No 1, 1982) The foregoing three views are all an expression of what their holders believe to be a correct understanding of Marxist tenets. Just what understanding, then, would be genuinely in keeping with Marx's original intention?

I believe that in view of several decades of practice with socialist formulated planned prices that none of the foregoing three ideas is completely in keeping with the original intention of Marx expressed in "Das Kapital." Looked at in terms of Marx's political and economic theoretical system, I believe that the correct formulation should be that commodity prices are determined by the socially necessary work time required to reproduce the commodities. Only such an understanding can bring back to reality theories that prices are nothing more than the commodity value expressed in monetary terms, and thus provide guidance for practice. Simply the lack of the prefix "re" before production makes a great difference in perception, and this produces a different effect on practice in the formulation of planned prices. Clarification of this issue necessitates some explanation of my views on Marx's process and methods of study and his political and economic writings.

Marx was a great scientific master at combining theory with practice. He started out from the myriad phenomenal commodities of capitalist society, drawing scientific abstractions and steadily ascending. Beginning from the concrete forms of commodities that are regularly seen all around in daily life, he went on to draw an abstract picture of commonalities in commodities and value. First, he depicted abstractly the reproduction process, abstractly portraying the dynamics of the overall process of capitalist production as constant reproduction or the expansion of reproduction, and making a static analysis of the overall process of capitalist production. Next he depicted the overall process of production as the cutting away of excess value, costs and prices emerging independently from value, and value being translated into production prices, etc. Subsequently, he also depicted the process of commodity circulation and the direct production process finally deriving a commonality in commodities, a commonality in prices, and a commonality in required social work time. In making an explanation, he first sought out the nature of commodities, returned to the process of direct production and the process of circulation, and finally went from the process of direct production and the process of circulation back to the overall process of static production. Finally, he went from the overall process of static production back to the overall production process of dynamic reproduction. His method of research was to proceed from the concrete to the abstract, from appearances to essence, and from the particular to the general. His method of explanation was to proceed gradually from the abstract to the concrete, from the essence to outward appearances, from the general to the particular, returning to real

economic life. This is the scientific methodology that is fully expressed in "Das Kapital."

In "Das Kapital," Vol 1, p 52, Marx's exposition of required social work time to determine the value of a good does not go into the production process. It does not analyze the production of capital as being, strictly speaking, a highly abstract commodity up until the time when capital is directly produced. I regard this commodity as one that is typical of capitalist commodities; its value is a typical value, and the required social work time that decides this commodity's value is likewise a typical required social labor time. One has to realize that the products of labor always have to go through exchange to be transferred to those who use them, where they have use value before they become commodities. Exchange is exchange at equal value or nearly equal value. (Once value has been translated into production price, exchange is translated into exchange at equal production price or nearly equal production price.) If determination of the value of a commodity is limited only to the "direct production process," that is too narrow a view. At any given time, the direct production process to produce a commodity is always the direct production process in the overall production process, that is to say the direct production process of a commodity's reproduction. If a product only stagnates in the direct production process, even if the direct production process has come to an end it is only a product of labor at best. This is because its use value has yet to be transferred to the users who give it use value; thus it is not translated into social use value and the value of the commodity has yet to be fully realized, of course. Until they have entered into the circulation process, so-called commodities in the direct production process remain scientific abstraction in the commodity production process. Only when they are finally returned to the overall reproduction process for examination do they become real commodities and commodities in a political and economic sense. Comrades who adhere to the view in that primary sense, that required social work time determines the value of a commodity, can only demonstrate in a scientifically abstract general sense their theory of the determination of value. Except for playing a definite role in the laws of value of spontaneous regulation of commodity production through prices, in the formulation of socialist planned prices this theory for determination of value cannot return to a real pattern to guide the carrying out of fixed prices. This is because it lacks the indispensable intermediate steps and specific levels to return to the real pattern.

Marx said that the required social work time in the so-called secondary sense is a manifestation of further development of the law of value. Why did he say this? It was because the typical commodities and the typical value talked about at the beginning returned to the overall production process and returned to the concrete phenomenal state. Though the overall production process at this time is still in a scientifically hypothetical static process, it nevertheless enters into the direct production process, enters into the circulation process, and enters into the static overall production process. Marx was saying at this time that when all price laws are showing further development, the socially required work time for commodities holds yet another significance here, namely that the previously mentioned socially required work time is a general manifestation of development of the total production process. (This is to say that the required social work time in the

secondary sense is ambiguous. Marx spoke of "another sense;" he did not speak of the "second sense.") Socially required work time in another sense (the aforementioned sense) is a general concrete form and a developmental state of socially required work time. It is a concrete manifestation of the process of going from the innate character to reality, from the abstract to the concrete, and from the general to the particular. Comrades Wang Yongzhi and Wang Zhenzhi believe the latter to be the former, i.e. that the concept of further general development of socially required work time is fundamentally correct in this sense. As a result of entering the overall process of capitalist production, numerous new elements are added such as socially required categories and the laws of portions of socially required labor time used in individual special production areas, which give more abundant connotations to commodity value. This is "determined by the required labor time to produce for the market the total amount of these commodities required by society under average production conditions in society at the time." (Footnote 8) ("Collected Works of Marx and Engels," Vol 25, p 722) In another sense, the required social work time is the general development, a concrete form, or a real form of socially required labor time, but it cannot repudiate its original basis. Consequently, when Comrade Wang Yongzhi and Wang Zhenzhi go on to say in their article that "once socially required labor time in the second sense exists, socially required labor time in the primary sense can no longer determine the prices of commodities," they are incorrect. The basis for the pattern of development of socially required work time is synonymous with the general basis for socially required work time. One cannot use the pattern of development of an identical inherent character to negate the general original form; one cannot place in opposition the two levels of socially required labor time.

The notion that two kinds of socially required work time jointly determine commodity value disregards the issues of the non-existence here of categories of two different natures such as when value is translated into production prices, and the non-existence of "kinds" that are different in nature and different in both their overall expression and their individual expression of required social work time. Here no issue of "two kinds" exists. Kinds requires determinants of two different natures; without determinants of different natures, things cannot be said to be of two kinds. Socially required work time has only one; there is no distinction between one kind and another. In the levels reached in discussion, only required work time generally extends to the next level's socially required work time in another specific sense, after which it returns to the socially required work time at the real economic life level in the overall process of reproduction. This is the richness and development connoted by socially required work time. The inherent nature is of a single kind and the socially required work time is universal. Therefore, the contention that the two kinds of socially required work time jointly determine commodity value are likewise incorrect.

The production process is dynamic and develops without pause. Scientific analysis may depict this dynamic state abstractly for a time; however real life is dynamic, and is a total production process of reproduction. I have said that the commodity value is not determined by the amount (or time) of socially required labor expended to produce the commodities, but rather is determined by the amount (or time) of labor that has to be expended to

reproduce these commodities, which is a return to real life, that is to say a return to the dynamic reproduction process and to the overall production process of reproduction. This is a very important issue. The cost prices that make up the value of commodities are not the portions $c + v$ that have already been expended but rather the $c' + v'$ in the new commodity value reproduced, $W' = c' + v'$. These are the supplemental value $c + v$ already expended in the production process. Cost prices are value categories. The costs that are customarily found in financial accountings are cash money costs expressed as cost prices and not money costs expressed as prices. Unless the $c + v$ compensation is examined in terms of the reproduction process, in a situation in which the general labor productivity rate steadily rises, a situation of falsely high cost prices and falsely low profits may appear. This is because when labor productivity rates rise, the amount of value contained in products will decline and the cost price $c + v$ expended in reproduction of products will decline correspondingly. If we do not use the socially required labor time for the reproduction of products to determine value, money costs will inevitably be falsely high. Certainly, as a result of a change for the worse in reproduction conditions from what they had originally had been in some sectors, such as when coal mines work deeper seams, a decline in the labor productivity rate will occur. Unless the cost price is calculated in terms of the new value of the commodity reproduced, the money costs of production will appear to be falsely low and the expenditure $c + v$ will not be compensated, and even simple reproduction will become difficult or may even become impossible. Therefore, in the final analysis, the value of production has to be determined in terms of the socially required labor time needed to produce a commodity.

Some comrades suppose that in the two reproduction cycles, the difference is not very great between commodity reproduction cost price and value and the previous process. This is, in fact, the case. Changes in the cost price for reproduction of commodities is also not very great in each production cycle, particularly when the production cycle is fairly short and when the product production process is very short. Even so, the difference reflected in quality is marked. Not large for a single day, the difference becomes very great for a year or several years. Consequently, between the two levels of socially required work time when the difference is not great, a difference in quality exists. The former requires only a recognition and a compensation of the socially required labor time already expended (included cost prices); the latter requires estimating commodity value in terms of the new socially required work time contained in reproduction. In this way, we can determine the value of the commodity and place it within the overall dynamic production process for study and return to the concerns of real life. Such a use of theory to guide practice is the only correct one, particularly in the practice of planned prices.

Marx talked about the foregoing ideas long ago, but he did not have time to elucidate them. For example, in Chapter 3 of "Das Kapital" Marx said, "Commodity value is not determined by the original work time expended to produce the commodity but rather is determined by the work time expended to reproduce it." (Footnote 9) (Ibid, p 448) He also said that the value of every commodity "is not determined by the required work time contained in this commodity itself, but rather is determined by the socially required work time needed to reproduce it." (Footnote 10) (Ibid, p 158) This was an idea that Marx held consistently even though he did not fully elucidate it.

Thus, one might say that the determination of the nature of the socially required work time on three levels is uniform. In another sense, socially required work time is the pattern of development of socially required work time in the general overall static production process, which is a pattern that is a fairly concrete one that has become real. However, the required social labor time for reproduction of products is dynamic, i.e., the further pattern of development in the overall production process of reproduction returns to the patterns of real economic life. This is the only real point of departure for formulating planned prices in a planned economy. Examination of the history of price formation in China, and particularly historical experiences in the formulation of planned prices following the beginning of the First 5-Year Plan in 1953 plus negative experiences when it was discovered, in the course of study of reforms to the design of the price system, that prevailing fixed prices were unfair show the need to determine value on the basis of the socially required work time needed to reproduce products. Otherwise, changes in prices will be unable to reflect changes in different labor productivity rates for different products and changes in the amount of their value. Thus, it will be impossible to formulate an equitable design for reform of the price system. Ever since I enunciated this concept at the Chinese Cost Research Association at Wuxi in May 1981, I have consistently publicized it. As a result of several years of theoretical discussion and practice in the designing of reforms of the price system, I am even more confirmed in this view.

Marx's idea that commodity value is determined by the socially required work time needed for commodity reproduction holds important practical significance. The commodity value can be determined only by the socially required work time for their reproduction. Changes in labor productivity rates and the inevitable changes they bring in the amount of value must inevitably bring about changes in prices. Use of only past expenditure of socially required work time to explain socially required work time for reproduction will not solve the problem at all. If cost price is not used as compensation value in terms of the cost price in the new value of reproduction, when labor productivity rates rise there can be no appropriate decline in prices, and when labor productivity rates drop, there can be no appropriate rise in prices. Why is it that for many years that the more they have produced the "poorer" many of our mining industrial enterprises have become, or have even sustained such large losses that they have not been able to compensate reproduction value. The main reason lies here. Money costs of timber in forestry do not include afforestation costs; only felling costs are calculated, so cost prices simply cannot be compensated. With prices having been lower than value for a long time, how could timber be anything but a "bargain"! A fundamental reason for the decline in the forest cover rate, overcutting aside, has been that the price of timber has not been figured in terms of the value of reproduction. This is a way of eating up one's capital. On the other hand, in certain machinery and electronics product industries in which labor productivity rates have risen very rapidly, if old cost prices were used to figure value and prices, value and prices would be high and profits "large" when, in reality, this would be a realization of the excess product value created by other sectors that could become a major aspect of covering up antiquated operation and management of these enterprises and the unwarranted accumulation in inventory of certain products. There are very many problems of this kind that we should study well.

Can Cost Basis Be Translated From Value Into Production Price

The basis for the price of a commodity is value, first of all. After value has been translated into production price, this means that the price basis is translated from value into production price. In capitalist production, capital invested in different production sectors has a different organic structure; equivalent capital has an extremely inequivalent surplus value in production; thus capital in various sectors of production produces different profit rates. "These different profit rates are averaged out to a general profit rate through competition, and the general profit rate is the average figure for these different profit rates. The profit per certain amount of capital on the basis of this general profit rate (no matter its organic structure) is the average profit. The price of a product, if it is equal to the cost price of this product plus that portion of profit attributable to the average annual interest on the capital used to produce the product (not only the capital expended in producing it) prorated in terms of the time required for product turnover is the production cost of the product." (Footnote 11) (Ibid, p 177) Consequently, some comrades suppose that capital and competition make up the production cost. This perception is not complete. Certain, without capital and competition, the value of a commodity would not be at all able to be translated into production cost; nevertheless, one cannot reason in reverse that if there is capital and competition, the production cost category will certainly come about.

Marx said that "the development stage required for exchange of products in accordance with their value or close to their value is much lower than for exchange in terms of their production cost. However, exchange at their production cost requires the development of capitalism to a certain height." (Footnote 12) (Ibid, pp 197-198) Some comrades say that commodities about which Marx spoke in this passage may have been precapitalist commodities and not capitalist commodities. I feel there are no grounds for such an assertion. Marx said that exchange of commodities at their production price requires that capitalism develops to a certain point, which is not to say that the development of capitalism is required. Clearly, the commodities cited in the quoted passage are also commodities of the capitalist form of production; besides, in explaining how commodities are exchanged as the products of capital, Marx said, "The whole problem arises out of this fact, namely that commodities are not only exchanged as commodities but are exchanged as the products of capital." (Footnote 13) (Ibid, p 196) During the early period of capitalist production, there is capital and competition; but do conditions then exist whereby capital commodities change from exchange according to their value to exchange at their production price? Of course, not. Marx said that for commodities to be exchanged at their production price, it was necessary for capitalism to develop to a certain point. The crux lies in how to understand the meaning of this "development of capitalism to a certain point."

First, the development of capitalism to a certain point naturally means the development to a certain point of capitalist social productivity, and the development of capitalist production relationships as well to a point corresponding to the nature of development of productivity. Political economics is a science that studies production relationships; however, political economics is a science that studies production relationships in terms of productivity. Consequently, understanding of the development of capitalism to a certain point

requires examining this development to a certain point in relationship to productivity.

Second, what is the principal indicator of the level of development of productivity? One has to say that it is the level of development of production tools, i.e., the level of development of machines and power technology. Among the three elements in productivity of manpower, production tools, and an object of labor, it is necessary to regard manpower as the most dynamic element in productivity. At the same time, it is necessary to realize that progress with the tools of production means new machinery spurring the use of new materials, and workers having to learn to master knowledge of how to use new machines and raise the degree of their expertise in using new machinery.

Third, development of productivity certainly requires steady technological progress on production tools (machines) in traditional production sectors; however, in terms of development of total social productivity, the steady rise and development of new sectors with a high technological component is an indispensable and integral part of the development of social production. This is to say that the work time in total social work time that is used for social technological progress is determined by distribution in each special production sector and new production sector in which the technological component is high in accordance with the needs of society and requirements for technological progress in society; it is not determined by the work time originally created in each sector that can be provided for the use of that sector for technological progress. In addition to the work time retained by each production sector throughout the society that is required for its own technological progress, there is always a portion of the work time used for technological progress and that had formerly been a part of the production sector with a low technological component that is shifted to production sectors with a high technological component or to new production sectors with a high technological component. This transfer from total work time for society's use to make technological progress is not an objective process of transfer subject to human will. This is determined by the action of inherent contradictions in social productivity that determine development of social productivity, thereby giving rise to an objective process whereby social production relationships correspond to this change.

In capitalism's development to the point where it makes general use of machines and large industry, uses machines and "modern" (meaning the contemporary level of technology) chemical agriculture, capitalism's development attained that certain point about which Marx spoke. At this time, the development in production relationships of an averaging out of competition for capital and profits in special sectors, the appearance of the economic category of production prices or the development of the capitalist production relationships of value being translated into production prices are determined by the level and nature of social productivity discussed above. For the sake of the proportional development of the various sectors of society, production sectors with a high technological component require a greater investment of work time to develop technology than production sectors with a low technological component in order to be able to assure that production sectors with a high technological component are consistent with the needs of society and that they develop proportionally in accordance with the needs of technological progress. This is an objectively inevitable trend in the development of social production and

corresponding production relationships following the entrance of social productivity into the era in which machines are modern production tools. As social productivity develops, there is steady progress in production tools and steady development and expansion of new sectors with a high technological component, and a portion of the work time required for technical progress is transferred from production sectors with a low technological component to production sectors with a high technological component in an inevitable process. The laws of production prices may be manifested in capitalist production in laws in which equivalent capital gains an equal rate of surplus value or profit, and this is a manifestation in production relationships of the characteristic development of productivity in the foregoing objective process. It reflects the conversion process or work time used in technological progress, and is the fundamental reason for production prices coming into being.

Under socialist conditions in which commodity production exists, the production relationships manifested in this economic category of production prices naturally differ from the equal rate of surplus value or profit separated from equivalent capital reflected in capitalist production. They do not further reflect the production relationship between capital and hired labor nor do they reflect the production relationship between capital and capital, but rather they reflect socialist production relationships. However, they also reflect the objective processes described above. Therefore, in this sense, I believe that production prices are not a special category of a capitalist commodity economy.

Production price categories existing in a socialist commodity economy have been discussed in two articles that I authored jointly with comrades He Jinzhang [0149 1696 4545] and Zhang Zhuoyuan [1728 0587 0337] titled "Capital Profit Rates and Production Price Problems in a Socialist Economy" (Footnote 14) (JINGJI YANJIU, No 1, 1979) and "Need For Use of Production Prices As a Basis For Setting Prices of Industrial Products in Economic System Reform." (Footnote 15) (ZHONGGUO SHEHUI KEXUE, No 1, 1981) I will add some additional personal views on these matters here.

As a result of practice in price work since 1979, discussions of price system reforms and some practice and understandings gained from price design work, I am even more convinced that reform of China's price system must take the path of using production prices as a basis. There is no way other than this to carry into practice and to embody requirements in the building of modern socialism. To be sure, in carrying out a planned economy on a foundation of socialist ownership of the means of production, the state can reflect this process through technological policies and technological transformation as well as through economic planning. Thus, some comrades suppose that economic planning and planned proportional laws are two different matters. Our experience also attests to this point. Sometimes our economic planning substantially reflects the laws of planned proportional development and the requirements of the laws of steady progress in social productivity. Sometimes they do not. This is connected to our lack of understanding of the nature and role of the economic category filled by production prices, and is also related to our not very high level of planning work and our imperfect system. I believe there can be discussion without using the technical term production prices; however, whether

one approves or disapproves of the use of this technical term has no effect whatsoever on the objective inevitability of the economic process that I discussed above. Formerly we had neither a clear nor sufficient understanding of this economic process. We supposed that if we had technological policies, made provision for funds for technical transformation, and included in our plans investment for the development of and technical progress in new sectors with a high technological component, then problems would seemingly be solved. Practice has demonstrated this far from being the case. Our economic plans did not take into account the funds needed by all sectors for technical progress, nor did they distribute the technical development funds that certain leading sectors of the national economy should have had and that were essential to them.

In January 1957, Comrade Chen Yun pointed out that leading sectors such as coal mining, electric power, and transportation had already revealed problems resulting from insufficient investment in the past. As a result, the leading sectors had become backward sectors and unless this situation were changed very quickly, it would adversely affect development of the entire national economy. Nevertheless, when economic plans were made for 1957-1966 and for 1977-1984, the leading sectors were not given a leading position. In recent years, state investment in coal mines, electric power, and transportation has increased very greatly, showing that the country is devoting considerable serious attention to this problem. However, for the present and even for the next 3 to 5 years, coal mining, electric power, and transportation will be unable to completely revive their leading positions. In many specific fields it has not been possible to attain the original proportional development, to say nothing of becoming leaders, in technical progress. I believe the fundamental reason for this situation has been insufficient understanding of this economic process and failure to use the production price category to reflect it, failure to make the necessary readjustments and reforms to the overly centralized planning system, and particularly in the planning system for investment in reproduction, as well as the failure to rouse all sectors to the full, particularly arousal of enthusiasm for development and technical progress in sectors with a high technical component, and failure to take a firm grip on the modernization of production techniques.

An objective imperative for constant progress exists in socialism. A portion of the total value of surplus products created by sectors in which the capital component is low is always transferred to sectors with a high organic component of funds and to new with a high organic component. This is the only way to hasten progress in socialist modernization. The major significance of the need to use the economic category of production prices to reflect and embody this objective process also lies here.

The history of capitalist society has already demonstrated that the exchange of commodities according to their production prices not only will not adversely affect development of sectors in which the organic component of funds is low to begin with, but in some countries in which agriculture had a low organic component in funds to begin with, after several dozen or nearly 100 years of development, a situation came about in which the organic component in funds was higher than in industry. This shows that after entering the era of social productivity marked by machinery and the modernization of production when products will

be exchanged according to their production prices, the effect will not be adverse on sectors in which the organic component in capital (funds under socialist conditions) was originally low. Looked at in long-range terms, it will be favorable. The issue is not whether it will be favorable for the moment for sectors in which the technical component had been relatively low to begin with, but whether or not there will be fairly rapid technical progress throughout society as a whole and whether there will be gradual modernization of technical equipment of good quality at reasonable prices in all economic sectors.

Lenin said that the crux of the triumph of socialist society over capitalist society lay in higher labor productivity rates. For China to accelerate socialist modernization, not only will it be necessary to reform production relationships and the superstructure to conform to the development of productivity, but it will also be necessary to formulate planned prices and to readjust and reform the planning system based on production prices. Currently some sectors in which the organic component of funds is low are "shipping out" some developmental funds that could be used for technical progress in order to assure the building and development of sectors in which the technical component is high. After these sectors have accelerated the pace of technical progress, they may conversely use fine quality and reasonably priced technical equipment to equip the sectors that had formerly had an organically low fund component. We must act in accordance with this objective law; otherwise, we will block and prolong the pace of development of social productivity and technical progress.

Planned Prices Must Be Based Upon Production Prices

Socialist planned prices (including fluctuations in the middle price), I believe can be based only on production prices. Fixing of prices on the basis of production prices requires, first of all, accurate calculation of an average figure for the monetary cost of the cost price of commodity reproduction of each commodity throughout an industry, or else the setting of a median figure. The plan price of each special commodity is the average monetary cost in that industry plus the amount of funds used to produce this commodity times the amount of profit derived from the capital profit rate (or the capital tax and interest rate) based on production price. Some comrades suppose that the problem of the average monetary cost of a commodity is fairly simple and that there is no great controversy. Practice in the designing of price systems shows this not to be the situation at all, however. First of all, some comrades deny the existence in the cost price category as the expenditure of $c + v$ in the production process and do not regard it as a new cost price $c' + v'$ in the new value of commodity reproduction. Third, they confuse the cost price category and its monetary cost expressed in money terms. Fourth, the limit for calculating industry average monetary cost of commodities is the average within the national or commodity exchange limits or distance. Fifth, the difference between the theoretical connotation of commodity cost price and monetary cost and the purview of enterprise monetary cost expenditures set by state financial institutions has to be handled accurately. Sixth, is the effect of the price of the materialized labor portion of the monetary cost of special commodities in shaping the basis, i.e., whether the fixing of the materialized labor price is based on value or on production price also requires clarification. These problems require that both a theoretical and practical unified understanding

be gained gradually and unified monetary cost criteria be set for formulating prices. One should not say breezily that problems are not great and that there are no major controversies about the industry average monetary cost of commodities. This is not in keeping with a realistic appraisal.

What profit rate exclusive of taxes and interest (or inclusive of taxes and interest) should be used in formulating monetary average costs of an industry as an integral part of prices is a problem that provokes even greater controversy. In "Das Kapital," Marx used only a single interest-rate category, namely, the ratio calculated on the percentage of profit on total capital. Some comrades say that Marx and Engels made a very brilliant exposition of the relationship between capital interest rates and "cost interest rates." They are somewhat mistaken about this. In discussing just the right turnover of all capital in a year, Marx and Engels said: "If the interest rate is figured solely in terms of a commodity's key price elements, it will show a difference from real interest rates." (Footnote 16) ("Collected Works of Marx and Engels," Vol 25, pp 252-253) Engels added: "The surplus value gained or realized in a year calculated as a ratio of the percentage of total capital is the profit rate. If we calculate now in terms of commodity cost price, we will obtain an interest rate $\frac{P}{K}$ in which P is the profit realized in a year and k is the sum of the cost price of commodities produced and sold during the same period." (Footnote 17) (Ibid, p 253) However, he did not treat the ratio between cost prices and profit as the cost price profit rate, much less did he use the "cost profit rate" concept. Formerly theoreticians in China used their own personally established sense of things such as "wage interest rate," "cost interest rate," and "capital interest rate."

In 1964 when Comrade Yu Lin [0151 7207] systematically proposed "How To Calculate Accurately the Profit Contained in the Value of All Kinds of Commodities," in his article he repudiated the idea of being able to use equal wage profit rates, equal cost profit rates, and equal capital profit rates. (Footnote 18) (Xu Lin, "How To Set Correct Prices for Various Products," JINGJI YANJUI, No 5, 1964 (sic)) This treatise focused largely on the separation of the economic category of value from wage profit rates, cost profit rates, and capital profit rates and discussed in an abstract way the pure proportional relationship between amount of profit and the amount of wages, the amount of profit and the amount of capital. In numerous subsequent discussions, its direct consequences used the separation of profit rates and prices as a basis for the separation of value or production price categories. It must be realized that profit rates before or after payment of taxes and interest are only the ratio between the amount of profit, either before or after payment of taxes and interest, and the wages or money costs, or all capital expressed as percentages that make up prices. If this were not linked to production relationships or separated from the economic category of value or production price, this ratio would be an empty thing. The profit rate on capital that I advocate is a production price capital profit rate. If one departs from production price and says it is a profit rate on capital, then there can be subjective and arbitrary "capital profit rates" of every kind and description such as output value capital profit rates, sales capital profit rates, and overall capital profit rates. This is because capital profit rates are nothing more than ratios between capital and profits expressed in terms of percentages. These "capital profit rates" are

rates figured in terms of percentages that are between unanticipated capital and unanticipated profits that do not reflect an inherent relationship in anything or the nature of any economic process.

At a discussion meeting on economic theory held by Sun Yefang [1327 0396 2455] in September 1983, I presented a paper on this problem, and I said that the average money cost of an industry's commodities plus the amount of profit figured "in terms of average profit rates on wages in society" or "in terms of average profit rates on money costs in society," dividing the amount of these profits by "the capital interest rate" on the total amount of that industry's capital will obviously be different from the interest rate on capital when prices are based on commodity production costs. Although the foregoing "profit rate on capital" and other "profit rates on capital" of other kinds and descriptions as well as "overall interest rates on capital" the proportional relationships for which are determined by subjective and arbitrary factors are, in a certain sense, formulas for figuring the amount of profit in commodity price, these profit figures are later divided by the percentage rate for the industry's total amount of commodity capital. Such specifically conceived statistics or various kinds of capital profit rates used in calculations that serve as statistical indices along the same lines at different times for the analysis of certain aspects or certain fact-finding goals are faultless. However, these "rates of profit on capital" of every kind and description are not based on the economic category of production prices, and they are not production price profit rates on capital; thus they cannot serve as a basis for formulating prices or for planned prices.

Every discussion of social average profit rates for wages or social average profit rates for money costs that departs from value, or every discussion of social average profit rates on capital that departs from production prices is apt to lead into a discussion of abstract concepts divorced from reality. I said earlier that the price of goods is based on the economic category of value or goes on to be based on the economic category of production price. In the expression of value in money terms, that portion outside the average money cost minus cost price expressed in money terms is distributed on the principle of value category, i.e., the laws of value or on the principle of production price, i.e., production price laws. This is an issue of principles in price formation. Discussion of "profit rates" that is divorced from the economic category, and discussion of the distribution of value of socially newly created surplus goods must inevitably produce a tendency to decide the value of goods separate from their socially required work time. Unless prices are based on value, then value does not translate into production price, and this can lead to where prices are not the expression of value in money terms or not the expression of production prices in money terms. This results in there being no objective categories and uniform objective criteria, and the matter becomes a thing that can be manipulated according to people's subjective wills. I believe this is divorced from the theoretical category of price formation. Because socialist prices are an expression of distribution, further distribution is merely one of their functions and not a major function at that, much less their total function. It is particularly impossible, conversely, to decide commodity value formation and price formation from the need for distribution and further distribution. Leading representatives of this trend of

thought are Comrades Xu Yi [6079 3015], Chen Baosen [7115 1405 2773] and Liang Wuxia [2733 2477 3838]. They maintain that the integral part of socialist prices, m , which is net income distributed "in accordance with uniform wage profit rates, capital profit rates, cost profit rates, and overall average profit rates cannot be considered to be equitable plans for socialist price formation.

"So what method of distribution would be equitable? We maintain that equitable distribution requires consistency with all of the following requirements: First, it must benefit state accumulation of capital, benefit rational use of national resources, benefit regulation of supply and demand, and benefit the guiding of production and consumption. Second, for producers it has to benefit the bolstering of cash accounting, benefit socialist competition from a basis of equality, embody the principle of greater gain for greater work, and benefit the organization of simple production and reproduction and the expansion of reproduction in accordance with state plans and the needs of society. Third, for consumers and user units it must help stabilize purchasing power, and help them use new techniques and new products." (Footnote 19) (Xu Yi, Chen Baosen, and Liang Wuxia, "Socialist Price Problems, Chinese Financial and Economic Press, December 1982, p 60)

Except for a few of these requirements that need additional study, most are requirements that have to be considered when socialist countries formulate planned prices, thereby forming this or that policy including some that are price policies. In the formulation of planned prices as well, they have to be given varying degrees of consideration and expression. However, in the formation of socialist prices, or when socialist nations formulate planned prices for certain commodities, the first thing to be considered is the basis for prices, namely value, after which this is then translated into production prices, after which this basis is used for considering requirements of various price policies. One cannot equate the value that underlies prices with production prices and price policies, or even largely decide specific price policies or other political requirements at a single time, in a single place and for a single thing. In an overall sense, socialist planned prices cannot be divorced from their basis, namely, value that becomes production prices, or be only considered as certain policies. An individual commodity or a few commodities may be permitted to have their plan prices depart from value and proceed to their production prices; however, this cannot be done in the case of most commodities. Comrade Xu Yi et al asserted and advocated that average wage profit rates be made the standard for setting prices; they advocated using average cost profit rates as standards for setting prices, and they advocated using average capital profit rates as standards in setting prices as "common points in seeking a single profit standard for prices, and this would have meant equating value with value determination and exchange value and the abandonment of various factors in commodity exchange. (Footnote 20) (Ibid, pp 52-53) Comrade Xu Yi et al proposed a concept that is difficult to understand that equated value with exchange value and which would have abandoned various factors in commodity exchange. Can exchange value be equated with value? Marx pointed out that commodity "exchange value is manifested, first of all as the relationship or proportion of the amount of use value mutually exchanged for another use value." (Footnote 21) ("Collected Works of Marx and Engles," Vol 23, p 49) "The common thing that is demonstrated in commodity exchange

relationships or exchange value is the value of the commodity." (Footnote 22) (Ibid, p 51) In fact, the exchange value of a commodity is the inevitable form in which the value of the commodity is demonstrated; the exchange value of a commodity and the value of the commodity are essentially the same thing. Marx even said that "the value of a commodity shows up in its 'exchange value' and is independently manifested. At the beginning of this article, we said, as has been commonly said, that a commodity has use value and exchange value. To tell the truth, this formulation is wrong." (Footnote 23) (Das Kapital" 1963 Edition, Vol 1, p 34, translated by Guo Dali [6753 1129 0500] and Wang Yalun [3769 0068 0589]. This translation and the English translation both fairly accurately express the meaning of the original German)

Here, very clearly exchange value is a form in which value is shown, and exchange value is fundamentally the same thing as value. Certainly to say that use value and value are one and the same thing is more correct. Comrade Xu Yi et al rigidly separated value and exchange value, which were identical to begin with, and subsequently said that they wanted price to find a single profit standard. Actually, before seeking any "single profit standard," value and exchange value are one and the same to begin with. However, this oneness by no means rules out "various factors in commodity exchange," principal of which are various factors that are nearly equal in value but that are not exchanged at equal value. One might say they are factors in commodity exchange in which prices tend to be separated from the amount of value. There are two circumstances here as follows: in one, certain national price policies cause the prices of certain goods be at variance with the amount of their value for a long period and to a fairly great extent. One such example is the inversion between procurement and market prices for certain agricultural products. Other examples are the low retail price policy for urban residents' coal consumption (or financial subsidies provided for it), and the high price policy for cigarettes (through high taxes on them). The other circumstance is when policies are not involved or when, although policies are concerned, the amount of value is at no very great variance and not for a long period of time.

One must realize that "the value of a commodity exhibits a certain inevitable relationship inherent in the process of formation of the commodity and social work time. As the value is translated into price, this inevitable relationship is exhibited as the exchange ratio between the commodity and its outwardly existing monetary commodity. This exchange ratio can both exhibit the value of the commodity and can exhibit an amount of value greater or less than it. Under certain conditions, a commodity is adjusted on the basis of this larger or smaller amount. Clearly the possibility of the price and the amount of value not being identical or the possibility of price being at variance with the amount of value is already included in the price itself." Marx went on to arrive at the following conclusion: "However, this is by no means the shortcoming of this form; on the contrary, it makes this form become a suitable mode of this production form, and under this production form, regulations can only act as unregulated blindly functioning laws of average that open up their own avenues." (Footnote 24) ("Collected Works of Marx and Engels," Vol 23, p 120)

Profits, or m , outside the production price of commodities that use economic category value or production prices as the basis for the formulation of the uniform profit rates used in socialist planned prices are naturally socialist average profit rates. It is just that the objective is simply to exhibit the value of goods or, under socialist conditions, to figure the value of goods. One might say that to show a figure near the value of commodities is just to show a figure near the production price of the commodities. Why is it that the value of commodities should equal the socially required work time for reproduction of commodities. The equal value of the same commodities is the result of the averaging out of the individual work times for goods as socially required work time. That prices and value may be quantitatively the same or not is "already included in the price form itself." Therefore, commodities are exchanged at their value or near their value. Under capitalist conditions, the price at which commodities are exchanged is at equal value or nearly equal value. When capitalism develops to a certain point, commodities are exchanged at their production price. In the socialist planned commodity economy in which the means of production are state owned, planned prices for commodity exchange may be mostly at equal value, while in a few cases when certain policies require they depart from value and approach equal value. Special policies require that individual production not depart from exchange at value by a great deal or for a long period of time. Once the value of goods is translated into production prices, I believe that prices will generally equal production prices, but that a few prices may, because of certain policy needs, depart from production prices or be near production prices. There is no need at all to be apprehensive lest we deviate from value of certain commodities for a time or for a long period and go on to depart from a policy of production prices, or that we will repudiate value in production of commodities as a basis for setting price uniformity and go on to production prices for commodities that have been produced.

The three requirements for the formation of equitable plans for socialist prices quoted above from Comrade Xu Yi et al actually use numerous policy requirements to replace the basis formed by prices--value leading into production prices. Moreover, the lowering of the nature of value and the basis for price formation to one of the secondary functions of socialist prices of distribution and redistribution makes socialist prices become a necessary tool for distribution and redistribution, and one can deal with the m portion of the value of reproduced commodities in accordance with subjectively willed distribution and redistribution requirements. I believe that Comrade Xu Yi et al fear that state planned prices will use equal value and continue on to equal production prices as a basis without taking into consideration the requirements of various policies. Such apprehensions are needless. What really merits attention is that in socialist price formation theory there will be a departure from or failure to use economic category value as the basis for prices, and that this will lead to production prices being talked about in terms of three major requirements (or policies or price policies), or discussed as the distribution or redistribution of the value m of total net commodities in society and possibly slipping into a different economic category value or a danger of going on into use of production prices as a basis for formulating socialist prices.

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ECONOMIC DEVELOPMENT ZONES

GUANGZHOU'S AGREEMENTS BOOST FOREIGN INVESTMENT

OW111305 Beijing XINHUA in English 1115 GMT 11 Apr 86

[Text] Guangzhou, April 11 (XINHUA)--Growing economic cooperation with other parts of China has helped boost foreign investment in Guangzhou, the capital of Guangdong Province.

The city was granted wider freedom in attracting foreign investors in 1984 along with other coastal cities.

Located near Hong Kong and Macao, Guangzhou has signed 2,127 economic and technical cooperation agreements with 26 provinces, municipalities and autonomous regions.

Through this cooperation, a local official said, Guangzhou has improved its investment environment in the areas of finance, materials and manpower.

The city's chronic shortages of coal, steel, iron and coke have been eased now that 29 raw material bases have been set up in the interior.

In 1985, the city signed contracts for 53 joint ventures and 236 cooperative projects with overseas businessmen, surpassing the total for the previous 6 years.

The simultaneous development of domestic economic cooperation and foreign investment has promoted the interflow of overseas and domestic market information, the official said.

Last year, the city developed 44 export commodities, resulting in a 20.2 percent increase in exports over 1984.

Meanwhile, the joint ventures and cooperative enterprises have found it easier to sell quotas of their products in China.

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CSO: 4020/283

ECONOMIC DEVELOPMENT ZONES

BRIEFS

BEIHAI PORT SEEKS FOREIGN INVESTMENT--Nanning, April 7 (XINHUA)--Fangcheng port, where construction is in full swing, is seeking foreign investment, according to director of the port administrative committee Zhang Jingzhe today. The port is part of Beihai city, one of the 14 coastal cities open to foreign investment. With mountains on three sides and deep waters, the port has favorable natural conditions. Zhang said foreign investment is sought for infrastructure construction, an ocean-going freighter fleet, a container dock, coal and oil wharfs, and a land-reclamation project. Land reclaimed from the sea will put at the disposal of investors for at least 30 years, the director said. Now, three deep-water wharfs have been completed and construction of the railway from Nanning, the capital of the Guangxi Zhuang autonomous region, to the port is under way. The port has already attracted U.S. \$120 million of overseas funds and signed contracts for joint ventures with Hong Kong businessmen, the official said. [Text] [Beijing XINHUA in English 0842 GMT 7 Apr 86 OW] /8918

FOREIGN INVESTMENT DISTRICT DEVELOPED--Shanghai, March 28 (XINHUA)--The foundation stone of the first office building in a new foreign investment district in Shanghai was laid on Wednesday. The city government agreed in 1982 to develop the 65-hectare Hongqiao District, in the western suburbs, into an area for modern office buildings, hotels, apartments, foreign consulates and shops. Work started on clearing the site in 1983, and this year, construction will start on a Sino-Japanese joint venture hotel and trading center, a Hong Kong-backed hotel and a Sino-U.S. joint venture office building, said an official of the Hongqiao Joint Development Company. [Text] [Beijing XINHUA in English 0635 GMT 28 Mar 86 OW] /8918

EXPORTS RISE--Beijing, March 21 (XINHUA)--China's 14 open coastal cities and four special economic zones exported 18 billion yuan of industrial products last year, 2.6 percent more than in 1984, according to today's ECONOMIC DAILY. The 14 cities--Shanghai, Guangzhou, Fuzhou, Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Ningbo, Wenzhou, Zhanjiang, and Beihai--were opened for foreign investment in 1984. The four special economic zones--Shenzhen, Xiamen, Zhuhai and Shantou--have been set up since 1979. The daily said 136 sino-foreign joint ventures, cooperative enterprises, or enterprises with sole foreign funds have been established in the cities and zones, and 23 other industrial enterprises have also been opened there by Hong Kong and Macao businesses. [Text] [Beijing XINHUA in English 1124 GMT 21 Mar 86 OW] /8918

CSO: 4020/283

ECONOMIC PLANNING

FIRST STEP OF SEVENTH 5-YEAR PLAN EXAMINED

Wuhan CHANGJIANG RIBAO in Chinese 2 Jan 86 p 1

[Article by staff correspondent: "Take the First Step of the Seventh 5-Year Plan"]

[Text] The year 1986 is accompanied by the jubilant and triumphant cheers and the delight of the people. During the new year, the party and the people should confidently and creatively put the Seventh 5-Year Plan into operation in a spirit of reform, innovation, opening up, and forging ahead so that they are even more full of vigor in undertakings of socialist modernized construction.

The period of the Seventh 5-Year Plan is the key period for comprehensive reform of the economic system of our country. We must certainly continue to give priority to reform so that reform and construction correspond and expedite each other. During the new year we should uphold the direction of reform, focus on the theme of developing a socialist planned commodity economy and developing the many functions of key cities. The key point is to improve enterprise vitality, form a commodity market system and improve measures for indirect control so as to continue to thoroughly carry out reforms. In view of the fact that last year the steps taken in reform were quite large, this year it is important to consolidate, digest, and supplement current successes in reform while promoting what is beneficial and abolishing what is harmful. We must resolve critical problems so that even greater results may be obtained in reform. At the same time, we must earnestly carry out investigations and studies, study pilot projects and prepare to take a major step forward in reforms for next year. When consolidating last year's successes in reforms, under no circumstances should we think that we have done enough work in reform nor should we think that errors have occurred in reforms and that we must now rectify them. Since all our policies and measures have to go through a process of investigation and experimentation and since our city has carried out comprehensive reforms in the economic system for over a year, therefore, this year we must consolidate, digest, and supplement successes in order to progress further, rather than regress. At present, reform has only just begun. In terms of scope and extent, continuing to promote reform is still the most onerous, complex, and arduous task confronting us. We must continue to firmly uphold and thoroughly implement reforms.

The Seventh 5-Year Plan is a plan for simultaneously carrying out the establishment of a socialist material civilization and a socialist spiritual civilization. We must support the policy of stressing the "two civilizations" together. While developing the commodity economy in a planned way, it is necessary to pay full attention to and earnestly stress the establishment of a socialist spiritual civilization and promote the healthy development of a socialist material civilization. It is necessary to recognize that the objective of implementing reforms and opening up and reviving the economy is to establish a uniquely Chinese form of socialism. It is also necessary to be aware of the corrosive influence of capitalism, feudalism, and other corrupt ideologies under the new conditions and to resolutely take a clear-cut stand in upholding the four fundamental principles and oppose and resist bourgeois liberalization. We must be aware that the major transformation from being closed off for a long time to opening up, and from a traditional natural economy to a planned commodity economy, will be accompanied by a positive change in the establishment of a spiritual civilization. We must also face the fact that people have different ways of looking at the new conditions and the adoption of new policies. We must, therefore, carry out instruction on the basic situation and fundamental policies, clarify all the various mistaken understandings and ideas and unify everyone's ideology and actions.

At present, while our city has achieved remarkable successes in the establishment of a spiritual civilization, compared to the establishment of a material civilization, it still does not seem to correspond and is somewhat inferior. Compared to ideological establishment, cultural establishment seems to be somewhat behind and does not correspond. There are two problems in the establishment of a spiritual civilization. One problem is that it is fragmentary and unsystematic. As it now stands, we have not mentioned much strategy in the establishment of a spiritual civilization nor have we considered it in terms of general long-range comprehensive strategy. We have failed to regard it as a huge social engineering project. Another problem is that there is a lack of perseverance. Support for some activities is not consistent, they are carried out for a while and then dropped so that they are not ideal. In order to change this state of looking down on the establishment of a spiritual civilization it is first necessary to clarify, in terms of ideology, the reciprocal relationship between the conditions and objectives of the establishment of the two civilizations. It is also necessary to understand that without a socialist spiritual civilization that has communism as the core, it is impossible to establish a socialist path that is uniquely Chinese. To establish a spiritual civilization this year, our goal must be the fundamental requirement of basically improving party character and socialist mores. We must focus on the key point of the leading core and youth, intensify instruction on ideals, discipline, and general legal knowledge, and coordinate administration. The entire city must make a start and pay close attention to reality.

This year is the first year for implementing the "Seventh 5-Year Plan. It is hoped that party organizations at all levels, the broad masses of cadres and the people throughout the city will unite in struggle under the guidance of the spirit of the National CPC Congress, further carry out the great plan and take the first step of the Seventh 5-Year Plan.

ECONOMIC PLANNING

QINGDAO'S DEVELOPMENT INCLUDES REJUVENATION, TOURISM

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese
No 8, 25 Aug 85 pp 45-46

[Article by Yang Daokuang [2799 6670 0562]: "Qingdao Development Blueprint: Rejuvenating Old Industries, Constructing Development Zones, Setting Up Tourism Enterprises"]

[Text] Since April of last year, after Qingdao was designated as one of the 14 open economic coastal port cities, the city's economic and technical cooperative activities have revealed a new facet. In 1984, more than 1,300 businesspeople from foreign countries, Hong Kong, and Macao came to discuss joint ventures. Of the more than 450 businesses discussed, deals were concluded for 121 projects using foreign investment and technology, valued at \$163 million, which was more than twice the total amount for the 5 years preceeding 1983. Some projects even went into operation in 1984, and earned a profit.

After obtaining the aforementioned achievements, what new plans do the people of Qingdao have in mind now? The author recently went to interview Qingdao's Department of Economic Technical Development and obtained some information. Regarding open-door policies, attracting foreign investment and technical jobs, the Qingdao city government emphasizes properly administering the following 3 items in the coming period.

1. Vigorously develop foreign economic technical cooperation, import advanced technology, and renovate old industries.

Qingdao is a city having a relatively comprehensive diversity of industries, with light and textile industries as its base. Currently there are more than 1,800 industries and enterprises employing more than 488,000 workers. Among them, cotton milling, wool spinning, flax spinning, printing and dyeing, knitting, beer, foodstuffs and other industries have comparatively larger production scales. The rubber industry is the third largest in China. Of the light and textile industrial products, Qingdao Beer, white wine, Blue Sky brand athletic clothing and Long Life brand concentrated aromatic peanut oil, among others, enjoy a fairly high reputation with foreign and domestic consumers.

Therefore, for the task of importing advanced technology to modernize old industries, focusing on the existing mainstay industries for increasing economic efficiency, making the products more carefully, more original and in greater quantity, will effectively propel all industries within the city to even greater development. Before 1990, 440 important technical undertakings have been scheduled. The first set of joint ventures announced in 1985 includes 115 imported technology items and 63 joint ventures and cooperative management ventures with foreign, Hong Kong, and Macao businesses. These undertakings are primarily in textile, light industry, food products, electronics, instruments, rubber, chemical, machinery, construction material production, and technology and equipment import.

2. Establish a Qingdao Economic and Technical Development Zone

Qingdao's special economic development zone is set up in the Huangdao area on the east shore of Jiaozhou Bay on the hilly land of the peninsula. The three sides border on the sea and it is only 2.26 nautical li from the old city. By the end of this century, this zone will be built up to have a population of 100,000 and 300 to 400 modern scientific and technical industries.

The economic and technical development zone will emphasize industrial development and research, and will concentrate on technology-intensive and knowhow-intensive Chinese-foreign joint ventures and cooperative ventures, and wholly foreign-owned enterprises and a Chinese and foreign cooperative research organization. The emphasis is to develop electronics, meters and instruments, light industry, foodstuffs, textiles, clothing, fine chemicals and marine development technology.

In the first stage, the economic and technical development zone will first open up 2 square kilometers which will include 2 industrial sections, 2 city centers, 2 residential districts and a scientific research park. Before 1986, the main drive is to take care of the basic facilities' construction, repair and build roads, develop water sources, lay water and drainage pipelines, gas lines, install heating facilities, portable communications systems and electronically controlled automatic telephone and microwave communications systems. Appropriate commercial and social service auxiliary support systems will also be set up. The economic zone's administrative building and hotels already had their groundbreaking in December of last year. Water diversion works and highway construction have also begun. Within this year, the basic facilities for the first stage of the development program will be completed, thus forming an initial investment environment.

3. To the fullest extent develop Qingdao's outstanding natural scenic areas and vigorously develop the tourism industry, after completing and perfecting the existing tourist spots and facilities, begin to develop two new tourism districts, Xuejiadao and Shilaoren.

Qingdao is a nationally famous scenic coastal city. Tourism resources are abundant; the city backs against the mountains and fronts the seas, and the scenery is beautiful. Mt Lao, Huiquan Bay beaches, Badaguan District, Qianhaijian Bridge and other numerous scenic districts have long been known far and wide. Each of the city's architecturally unique buildings has its own character, the traditional Chinese palatial style, and recent German, British,

French and classical Greek and Roman styles. These buildings of different appearance and style, partially concealed by thick flowers, form a beautiful scene with the azure seas, blue sky, red tiles, and green trees.

Currently, while the Qingdao Government is moving to complete the city's tourism facilities and Mt Lao scenic area, it is also developing Xuejiadao and Shilaoren, the two new tourism zones.

Shilaoren tourism district is located along the coast between Qingdao City and the Mt Lao scenic area. Here the mountains and waters come together in beautiful scenery. It is only 5 kilometers east of the city and 20 kilometers west of Mt Lao. To the south there is a 2-kilometer stretch of beach more than 100 meters wide. The sand is fine and the slope gradual, forming an ideal natural swimming beach.

Within this 3.45-square-kilometer tourism district they will build groups of beach houses, a vacation village, an aquatic sports center, bathing beach, large-scale entertainment spots, luxury hotels of different styles, restaurants, a high-standard international conference hall, clubs, supermarkets, etc. What is more, there will be a cluster of buildings based on the traditional Chinese garden style architecture taken from the theme of the famous classic literary work, "LIAOZHAI ZHIYI" [5108 7872 1807 8381]. A television art production center will be built to make it a modern tourism district with complete tourism facilities including an international conference center, television arts production center and full commercial services.

Xuejiadao Tourism District is located on the long narrow peninsula area of Huangdao, facing the old city area across the sea, and adjacent to the economic and technical development zone. Its total area is 21 square kilometers. Surrounded by the sea on three sides, it has a winding coastline. The southeastern side of the island has a bay in the shape of a crescent moon and three expansive natural sand beaches. The sand beach in front of Yantai alone has a length of 3 kilometers and a width of 200 meters. The clear seawater and fine golden sand form a natural swimming area in a beautiful surrounding. An even more appealing fact is that the waters surrounding the island provide a rich source of aquatic products such as sea cucumbers, abalone and prawns, great for cuisine and for fishing.

There will be three scenic tourist points which will be built separately at Yantaiqian, Kulongshan, and Liansandao within the Xuejaidao Tourism District. Various kinds of modern aquatic and land entertainment facilities will be constructed, such as fishing terraces, a yachting and water-skiing club, golf course, tennis courts, baseball fields and racetracks. There will also be qigong and taijiquan summer camps, vacation villages, luxury hotels, etc. In addition, a tourist spot especially for tourists to dine on seafood and go fishing will be built on Zhuchadao, which is located over the waters opposite Xuejaidao.

As the construction of these two tourist districts progresses, a connecting over-the-water tourist route will be built between Xuejiadao, Qingdao's ocean-front beaches, the Shilaoren tourist district, and the Mt Lao scenic area. This will enable the scenic tourism enterprises along the Qingdao seacoast to flourish.

FINANCE AND BANKING

HU HUANXIN GIVES ANSWERS ON RURAL COMMERCIAL CREDIT

Beijing JINGJI RIBAO in Chinese 21 Feb 86 p 2

[Interview of Agricultural Bank official by Hu Huanxin [5170 3562 2450]:
"Answers to Questions Concerning Rural Commercial Credit"; date and place
not given]

[Text] [Editor's note] Recently, this paper received letters from readers
and asked a comrade from the China Agricultural Bank to explain questions
about rural commercial loans. [End of Editor's note]

[Question] What are the targets of rural commercial loans?

[Answer] The scope of the targets for rural commercial loans is quite broad
and includes state-run enterprises, grain enterprises, farm machinery com-
panies, tobacco companies, seed companies, feed companies, supply and
marketing cooperatives, supply and marketing companies for township and town
enterprises above the county level for marketing enterprises, collective
marketing businesses, and individual businesses, etc.

[Question] What qualifications must enterprises have to obtain a loan from
a bank?

[Answer] 1. The enterprise must be approved by the industry and commerce
administrative department, must be registered according to law, and have a
business license.

2. It must do its own business accounting; assume responsibility for its
own profits or losses; have sound financial system; must be an economic
entity with a fixed place of production operations, facilities, and business
personnel; and must have opened an account with the Agricultural Bank.

3. The enterprise must have the stipulated ratio of self-generated funds and
must, in accordance with regulations, be able to replenish its own circulat-
ing funds.

4. Economic results must be good; repayment of the loan must be guaranteed;
the enterprise must have property insurance; and if property damage and loss
occurs, the enterprise must have a source for economic compensation.

5. It must comply with national policy decrees and the provisions of the bank credit system. Institutions, collective and individual businesses, and services businesses which manage enterprises which apply for loans not only must possess the relevant qualifications mentioned above, but also must have an economic entity with a qualified economic legal person or have individual guarantees.

[Question] What are the kinds and uses of loans?

[Answer] 1. Loans for the circulation of commodities (including temporary loans): Used as rational funds for goods in the circulation process.

2. Specialized agricultural sideline product loans: Used by state-run businesses, grain enterprises, and supply and marketing cooperatives for funding needs for the key agricultural produce and sideline products that they have ordered according to state contracts, to exceed the purchasing contract, and to negotiate a purchase [price].

3. Loans to store specific items: Used by wholesale business enterprises for all needed funding to store state-approved products. To obtain the loan, the responsible department must submit an application based on state-sanctioned documents; after being approved by the chief office of the Agricultural Bank, the funds are earmarked for a specific purpose only. Drawing on these specific reserves requires the approval of the state and an increase or reduction of the loan requires the approval of the head office of the bank.

4. Technology transformation loans: Used for funding needs by grain enterprises, state-run and other enterprises, and supply and marketing cooperative system enterprises to introduce and adopt new technologies and new equipment, to transform old facilities, to increase the establishment of business networking services, and to construct warehouses and cold storage houses, etc.

5. Basic commercial facilities loans: Used by grassroots supply and marketing cooperatives to expand the circulation of commodities and the basic commercial facilities required in the field of preproduction and post-sales service.

6. Loans for settling accounts: Used by first- and second-level wholesale commercial enterprises of state-run businesses and supply and marketing cooperatives managed with "inventory ledgers" for funds required to handle separate payments in the process of settling accounts.

[Question] What is the proportion of self-generated funds held by enterprises applying to banks for loans?

[Answer] Because the industries and targets are different, the proportion of self-generated funds which enterprises must have is also different. Specific requirements are:

State-run commercial enterprises must have 20 to 40 percent of their own funds;

Farm machinery companies must have 20 to 30 percent of their own funds;

Collective and individual businesses with loans for circulating capital must have 30 to 50 percent of their own funds. Other equipment loans must certainly be backed by more than 50 percent of self-generated funds.

With regard to self-generated funds which do not meet the regulations, banks will assist enterprises to establish a supplementary system of circulating funds and agree on a deadline for making up the deficiency. With regard to whether or not the qualifications are supplemented, banks must carry out credit sanctions in order to promote enterprises' acceleration of the replenishment of circulating funds.

In order to ensure the normal requirements of purchasing and marketing business, those funds which enterprises have already used in commodity circulation may not be withdrawn. When without the agreement of the bank, circulating funds are transferred without authorization, squeezed, and embezzled, banks must increase the interest, impose interest penalties, reduce the total amount of the loan, and take other economic measures.

[Question] What are the interest rates for each type of loan?

[Answer] Rural commercial loans charge interest rates that the state has uniformly set for loans. Loans for liquid funds and for fixed assets carry different interest rates.

1. Loans for circulating funds have monthly interest of 0.66 percent.
2. The monthly interest on business accounting loans is 0.30 percent.
3. For technology transformation loans: The monthly interest for 1 year or less (including 1 year) is 0.66 per cent; for 1 to 3 years, the monthly interest is 0.72 percent; for 3 to 5 years, the monthly interest is 0.78 percent; for 5 to 10 years, monthly interest is 0.84 percent; for more than 10 years, the monthly interest is 0.90 per cent.
4. Preferential interest loans: (1) for grain loans, monthly interest is 0.30 percent (Note: for the negotiated price of vegetable oil, the monthly interest is 0.66 percent); (2) for loans and seed companies, the monthly interest is 0.30 percent; (3) for Chinese medicinal materials loans, the monthly interest is 0.48 percent; (4) the monthly interest for loans for the establishment of national trade and the production of consumer goods is 0.30 to 0.33 percent; (5) for loans for state-run businesses and supply and marketing cooperatives, the monthly interest is 0.63 percent.

[Question] How can the proper guidance and management of rural commercial credit be strengthened?

[Answer] Banks must vigorously support the commercial credit permitted to be extended by the state, which normally includes overstocked products'

discount sales, seasonal goods, new products on trial sale, a number of high-grade durable consumer goods, and which is implemented through sales on credit, early delivery, advance payments, commission sales, and other commercial credits. But when there is no approval from the responsible department and no agreement from the bank and the stipulated limits are exceeded, guidance and restrictions must be increased. Loans for entrusting goods to be sold on commission or consignment loans for advance payments must be accounted for by fixed quotas and must not be used over a long period of time as personal funds for "speculative buying and selling." Using commercial credit to engage in speculation and profiteering must be resolutely forbidden.

[Question] How are loans for enterprises operating at a loss controlled?

[Answer] The main principle is to require strict control. The policy for losses requires the responsible department to appropriate subsidies promptly, and if the subsidies become overdue and are not regarded as being put to reasonable use, the interest is increased. With regard to long-term operating losses and enterprises whose self-generated funds have been completely exhausted by payments, in principle, new loans are not granted but the old loan is carefully recalled. For enterprises whose production does not equal their debts, reports must be issued, and the responsible department is required to take steps to carry out consolidation, debt repayments, and when necessary to go through legal procedures, and requires the enterprise which is in debt to deal with the finances and repay the loan. For enterprises with seasonal or temporary losses or for those enterprises which can be resuscitated, in line with active and prudent policies, appropriate support should be rendered and they should be compelled to turn losses into profits. From that point on, for enterprises with long-term operating losses, it is necessary to obtain the legal person's guarantee of actual economic strength or a property mortgage.

13231/13046
CSO: 4006/863

INDUSTRY

SHIPBUILDING CORPORATION WORK CONFERENCE BEGINS

New Ship Orders Discussed

OW142049 Beijing XINHUA in English 1905 GMT 14 Apr 86

[Text] Beijing, April 14 (XINHUA)--China's shipbuilding industry has won orders to build eight foreign ships totalling 220,000 dwt in the first 3 months of this year.

Hu Chuanzhi, general manager of the China State Shipbuilding Corporation, said at a work conference here today that the figure was equal to the total number concluded last year.

The new ship orders include three 12,600-ton container ships for Cuba, and one 118,000-ton oil tanker for Norway.

Negotiations are still under way on other contracts, the general manager said. "It is possible for us to win more orders on the international market only if we have good management and a competitive work force."

Between 1979 and 1985, China's shipbuilding industry concluded contracts worth U.S. \$1.39 billion to build civilian vessels totalling 1.35 million dwt, three oil drilling rigs and two modules for drilling rigs.

Despite the desolate scene on the international ship market, ships totalling about 15 million-dwt are needed to be built each year.

Hu Chuanzhi said, "China's exported ships only account for 2 percent of the total amount on the world ship market. We can do a lot in this field."

"We want to win from the world market ship orders of 500,000 dwt this year, though we plan to build foreign ships totalling 300,000 dwt a year during the Seventh Five-Year Plan (1986-1990)," he added.

China's shipbuilding industry, he said, would introduce more flexible methods to open the international market, including trade paying in cash and barter trade.

He said his industry would like to build more technology-intense vessels, special-use ships and pleasure-boats for foreign owners.

Output To Accelerate

OW161728 Beijing XINHUA in English 1455 GMT 16 Apr 86

[Text] Beijing, April 16 (XINHUA)--China is striving to be a leading ship builder in the world in the 1990's despite the worldwide slump in the demand for ships.

The development of China's shipbuilding industry will be accelerated in the coming 5 years. The annual capacity will reach three million dwt in 1990's, as against 1.2 million dwt this year.

Its annual output will grow to be the third-largest in the world in 1990's from the seventh in the world in 1985.

This was announced by Hu Chuanzhi, general manager of the China State Shipbuilding Corporation (CSSC), at an exclusive interview with XINHUA here today.

Hu said the most important thing for the development of this industry is to rely on the domestic market to meet demands for various types of vessels used for economic construction and national defense; and then to enhance its competitive ability in the international ship market.

He said China will still import advanced technology in the next 5 years, though China's ship manufacturing technology has already been raised to the world standards of the early 1980's.

The prospects for China's shipbuilding industry are very good, he said. The domestic market prediction shows that the whole nation needs more than nine million dwt of ships for ocean, coastal area and inland river transport.

The general manager said with confidence that "China's shipbuilding industry had made unprecedented achievements with annual output increasing 13.6 percent in the past 5 years. We are sure to do better in the last 5 years of the 1980's."

He predicted that the key enterprises of the industry will build a total of 4.85 million dwt of ships in 5 years. The annual output will reach 1.2 million dwt in 1990, with an annual increase rate of 10.9 percent.

In the field of exported ships, the industry plans to build ships totalling 300,000 dwt for customers a year during the Seventh Five-Year Plan (1986-1990).

China now has over 500 shipyards of all sizes and 160 fitting plants. Most of its 14 building berths above the 10,000 dwt class and 13 docks in the same range are located mainly in Shanghai, Dalian, Tianjin, Guangzhou and Wuhan.

/8918

CSO: 4020/286

INDUSTRY

INSTRUMENT MAKING INDUSTRY SET TO DEVELOP

HK150800 Beijing CHINA DAILY in English 15 Apr 86 p 2

[By Staff reporter Hu Sigang]

[Text] China's instrument-making industry, which is about 20 years behind the world's most advanced levels, is determined to catch up in the Seventh Five-Year Plan period (1986-1990), an official of the Ministry of Machine-building said.

Xu Wenhai, director of the Bureau of the Instrument Industry under the ministry, told a press conference in Beijing that more than half of the instruments now being used in China were imported.

China can produce some high precision instruments that have been highly appraised. But most are rated only at the primary level, he said. A few are being exported, but they are simple ones like cameras and microscopes for school use.

Xu said the instrument industry is vital to development of the national economy.

The government spent about \$700 million last year to import advanced instruments, equivalent to the total state investment in the industry for more than 30 years, according to Su Tian, vice chairman of the Instrument Society of China (ISC).

To develop China's own instrument-making industry, the state may reduce imports slightly in the next few years, according to Su.

But Xu said that while great effort will be spent on instrument research and production, import will continue of advanced instruments that cannot be produced by China itself.

To spur domestic development and strengthen international cooperation, the Instrument Society of China has proposed to its counterparts to the United States, Japan, Great Britain, and to the United Nations that a multinational instrument conference and exhibition be held in China. This was announced at the press conference by Wang Ziyi, senior adviser of the ministry and chairman

of the MICONEX '86, a conference that will open in Beijing tomorrow and run through April 22.

More than 2,000 experts and businessmen will participate in the conference. Half of the participants will come from 250 companies in 15 countries and regions.

During the conference, 87 papers will be read, according to Lu Tianjie, secretary-general of the organization committee for MICONEX '86.

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CSO: 4020/286

INDUSTRY

SHENYANG'S TIEXI FACTORIES BEGIN UPGRADE PROJECT

OW151431 Beijing XINHUA in English 0724 GMT 15 Apr 86

[Text] Shenyang, April 15 (XINHUA)--Work has begun to retool 17 factories in Tiexi, one of China's oldest and most renowned industrial zones in Shenyang, capital of Liaoning Province, an official here said today.

This is the opening phase of a mammoth technical upgrading project to eventually involve all the 470 factories in the Tiexi industrial zone, a 40 square kilometer area where the first factories were started more than 60 years ago.

The project is now included in China's Seventh Five-Year Plan (1986-90). It also calls for building new service facilities to help make Tiexi factories produce the best products in China and lead the nation technologically and managerially, Luan said.

One of the 17 is the Shenyang No 1 machine tools factory, one of China's largest, which is expected to produce numerical control and multi-axial automatic machine tools, instead of conventional ones as now.

The factory's retooling will be finished in 2 or 3 years, Luan said.

The retooling of the transformer, high-voltage switch and cable factories is being accelerated, said Luan, adding that it will be finished in 4 years instead of 5 as originally planned.

Shenyang is one of China's leading heavy industrial centers, and Tiexi furnishes half of the city's industrial output value.

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CSO: 4020/286

SMALL-SCALE ENTERPRISES

INCREASE REGULATION OF TOWNSHIP, TOWN ENTERPRISES URGED

Beijing JINGJIXUE ZHOUBAO in Chinese 2 Mar 86 p 3

[Article by Feng Lin [7458 2651] of the Township and Town Enterprise Research Committee: "Strengthen Management of Township and Town Enterprises by Government and Economic Departments"]

[Text] Township and town enterprises have gone through countless difficulties and setbacks over the past several years and they now are an important force in the national economy. China had 10.94 million township and town enterprises in 1985 with a total value of output of 248.1 billion yuan, equal to 40 percent of the gross value of output in rural society. The labor force in the enterprises exceeds 64.16 million, or 18 percent of the total rural labor force. The gross value of output in township and town industries is forecasted at 180 billion yuan, about 20 percent of China's gross value of industrial output. During the first 4 years of the Sixth 5-Year Plan, township and town enterprises provided agricultural production with 5.1 billion yuan in capital, which was three times the amount of state financial investments for capital construction in agriculture, animal husbandry and fishery. The peasants received 76.5 billion yuan in income from these enterprises over the same period, an average of 27 yuan per person per year and about 50 percent of the average yearly increase in peasant incomes. The question of ways to strengthen management over these enterprises that account for such a large proportion of the national economy and touch upon a broad range of areas has become an issue that requires urgent solutions. My individual views are outlined below.

First of all, what are township and town enterprises? As stipulated in CPC Central Committee Decision No 3, they include enterprises run by townships and towns, cooperative enterprises managed jointly by some commune members, and other forms of cooperative industry and individual enterprises. My personal opinion is that they include secondary and tertiary industries in rural areas, which is to say that they are non-agricultural enterprises operated by the peasants. Cropping and breeding activities can be managed by agricultural departments and should not be included again within the scope of township and town enterprises. Secondary and tertiary industries as a proportion of the rural economy will continue to grow along with development of the rural economic situation, so the question of ways to strengthen management over these industries will become an increasingly important one.

Second, how can management by government and economic departments be strengthened? According to the principle of separate responsibility for government and enterprises confirmed at the 3d Plenum of the 12th CPC Central Committee, the primary functions of government and economic administrative departments in the future will be to formulate economic and social development strategies, plans, principles and policies; to formulate programs for resource development, technical transformation and knowledge development, and to coordinate development plans and economic relationships between regions, sectors and enterprises; to collect and disseminate economic information and to grasp and apply economic regulation measures; to formulate and supervise the implementation of economic regulations and manage economic and technical exchanges and cooperation with foreign countries, and so on. This is to say that government and economic departments no longer will manage enterprises directly but instead will rely mainly on the use of economic measures, legal measures and the necessary administrative measures to strengthen management. Economic measures refer to the use of prices, credit, taxes, profits and other economic levers to carry out regulation. Legal measures refer to decrees, laws and other things formulated by judicial organs to carry out management. It is obvious that the future of government and economic departments will be different from the past when they relied mainly on administrative orders to manage enterprises. They must shift from management to services and manage township and town enterprises primarily through services. Township and town enterprises include cooperative enterprises and individual enterprises. Past experience has proven that it is difficult to achieve effective management through simple reliance on administrative decrees. Therefore, government and economic management departments at all levels should make enormous efforts in the area of functions pointed out by the CPC Central Committee and do good work in all facets of services to township and town enterprises instead of treating management as a battle over authority and the collection of administrative expenses.

Third, how can we establish management organs and delineate the scope of management? According to proposals by the CPC Central Committee in the Seventh 5-Year Plan, "comprehensive economic management departments should be reinforced and firmed up, and we should strive to improve the scientific levels of their policymaking and their macroeconomic regulation capabilities." Government organs at all levels should firm up and reinforce forces in township and town enterprise bureaus and they should work gradually to form and perfect a national township and town enterprise management system. These enterprises are secondary and tertiary industries located in rural areas, and they are different from primary industries. They should become independent from agricultural, animal husbandry and fishery systems in the future. They have a flesh-and-blood relationship with rural areas, however, so they are not like normal industries and commerce, nor would it be appropriate for them to be managed by including them in state-run industrial and commercial departments. To provide better services to township and town enterprises, an independent national comprehensive economic management system should be established to develop economic management work for all township and town enterprises.

12539/12859

CSO: 4006/843

SMALL-SCALE ENTERPRISES

FUJIAN TOWNSHIP, TOWN ENTERPRISES SUCCESSFUL

Beijing RENMIN RIBAO in Chinese 10 Mar 86 p 2

[Article: "Prominent Achievements in Fujian Province's Township and Town Enterprises--Value of Output Reached 7 Billion Yuan in 1985, Equal to Two-Thirds of Gross Agricultural Income, Employment Passed 1.97 Million"]

[Text] Fujian Province proposed in 1984 that "township and town enterprises should be depended on to lead the way for invigoration of Fujian's economy." Township and town enterprises in Fujian Province now have responded to this issue with prominent achievements. The gross value of output in these enterprises reached 7 billion yuan in 1985, a net increase of 4.2 billion yuan over 1983 and equal to two-thirds of the gross value of agricultural output in Fujian Province. Township and town enterprises are found throughout the province and now employ more than 1.97 million people.

Fujian is famous for its many returned overseas Chinese. The province has raised more than 720 million yuan over the past few years to set up more than 720 million yuan over the past few years to set up more than 16,000 enterprises with a gross income of 2 billion yuan. Jinjiang County utilized its advantages in the "three surpluses" (idle capital, buildings and workers) as a returned Chinese township and raised capital equal to 80 percent of the circulating capital in all of the county's enterprises in the county. In Jinjiang County's Cizao Town, which has been making ceramics for more than 1,000 years, 22 villages have set up more than 300 ceramics plants and more than 200 retail ceramics stores. They employ more than 25,000 people and have formed a ceramics industry region and a wholesale ceramics market.

Fujian Province has focused on development of township and town enterprises in mountainous areas. On 1 January 1985, responsible comrades in the Fujian Province CPC Committee sent the Fujian Province Township and Town Enterprise Management Bureau and proposed that they "strive to do work with significant results, and that they organize coastal townships and towns with developed commodity economies to provide assistance to poorer rural areas of the interior." As proposed by the Fujian Province CPC Committee, importing from abroad and cooperating with units in the interior will develop from the coast toward the interior. Zherong County, which is the smallest in Fujian in population and area, is located in mountainous eastern Fujian. It has imported skilled people, capital, equipment and technology to develop rabbit fur gloves, waxed matches, printed plastic bags and other new and rare products. Some have filled in blank areas within Fujian and others have entered international

markets and the Hong Kong and Macao markets. To use resources and cheap labor, some township and town enterprises in coastal areas are using technical assistance to mountainous regions as a foundation to begin setting up or moving enterprises there. Jinjiang County alone moved 17 factories to the mountainous Xianyou and Dehua Counties in 1985. Mountainous areas have become a resource foundation for coastal areas and they are a vast arena for technical radiation.

Fujian Province has focused on absorbing lessons and improving product quality in development of township and town enterprises. While investigating and punishing false remedies, the relevant departments also have developed major inspections of product quality in township and town enterprises and integrated with enterprise reorganization to establish quality inspection systems and the matching quality inspection personnel. In Gaishan, Chengmeng, and Leizhou townships in the suburbs of Fuzhou City, more than 50 rubber and plastics businesses raised their own funds to set up a product quality inspection center. Fujian Province's township and town enterprises also have opened up widespread appraisals of product conformance to standards and superior evaluation and selection activities. Nine township and town enterprise products in Fujian Province have received ministerial superior product awards and 10 have received Fujian Province superior product awards. The "Love Flower" brand bra made by the Shishi [Stone Lion] Bra Factory in Jinjiang County received an honorary award at an international exhibition in France and a superior quality product award from the Ministry of Foreign Economic Relations and Trade.

12539/12859

CSO: 4008/843

SMALL-SCALE ENTERPRISES

JIANGSU TOWNSHIP, TOWN INDUSTRIES SEEN IMPROVING

Beijing NONGCUN CAIWU KUAIJI [RURAL FINANCIAL ACCOUNTING] in Chinese No 1, 6 Jan 86 pp 30-31

[Article: "Good Economic Results in Jiangsu Province's Township and Town Industries"]

[Text] Production continued to develop in Jiangsu Province's township and town industries during 1985. The management situation is excellent and there have been obvious improvements in economic results. By June 1985, 4.471 million people were working in township and town industries across Jiangsu, up by 660,000 or 17.3 percent over the same period in 1984. The value of output completed was 16.438 billion yuan, up by 7.532 billion yuan or 79.11 percent over the same period in 1984. Output increased for 25 of 32 comparable types of primary products, equal to 78 percent. Income from sales reached 12.836 billion yuan, up by 5.583 billion yuan or 76.98 percent over the same period in 1984. Sales taxes were 692 million yuan, up by 300 million yuan or 77 percent over the same period in 1984. Total profits reached 1.333 billion yuan, up by 567 million yuan or 74.1 percent over the same period in 1984.

There were better primary economic indicators in Jiangsu Province's township and town industries compared with the same period in 1984: (1) Actual profits per 100 yuan in original value of fixed assets were 19.13 yuan, up by 37.63 percent over the same period in 1984. (2) Actual profits per 100 yuan in fixed circulating capital were 20.78 yuan, up by 19.36 percent over the same period in 1984. (3) Profits realized per 100 yuan in wages reached 89.17 yuan, up by 21.68 percent over the same period in 1984. (4) Average profits created per worker reached 298.14 yuan, up by 48.35 percent over the same period in 1984. (5) The value of output created per employee was 3,677 yuan, up by 52.7 percent over the same period in 1984. (6) Each 100 yuan in value of output tied up 39.03 yuan in total circulating capital, up by 8.90 yuan over the same period in 1984. (7) Fixed circulating capital turnaround took 90 days, 19 days shorter than during the same period in 1984. (8) The wage content per 100 yuan in value of output was 9.29 yuan, up by 18.44 percent over the same period in 1984. (9) There was a 1.11-percent reduction in enterprise deficits. (10) Deficits accounted for 4.87 percent of total profits, down by 2.46 percent over 1984.

There also were major improvements in capital raising and utilization results: (1) Fixed capital reached 7.006 billion yuan, up by 42.91 percent over the same period in 1984. Total circulating capital reached 13.841 billion yuan, up by 53.94 percent over the same period in 1984. Changes occurred in fixed capital and circulating capital as proportions of total capital. Fixed capital dropped from 35.14 percent during the first half of 1984 to 33.34 percent, and circulating capital rose from 64.46 percent during the first half of 1984 to 65.67 percent. This shows that state macroeconomic controls have been effective and that reductions in fixed capital have begun. (2) Fixed circulating capital tied up 7.095 billion yuan, up by 48.87 percent over the same period in 1984. This was slower than the rate of growth in value of output, which indicates that there have been obvious improvements in capital utilization results and an increase in the wealth created per 100 yuan in fixed circulating capital. (3) The increase in capital to produce finished products was lower than the rate of growth in reserve capital and productive capital, so capital arrangements for enterprise development and production are more rational.

Capital for production of finished products was 2.782 billion yuan, up by 38.94 percent over the same period in 1984. Reserve capital was 3.324 billion yuan, up by 54.74 percent over the same period in 1984. Productive capital was 1.079 billion yuan, up by 60.05 percent over the same period in 1984. The low rate of growth in capital for production of finished products is to a certain extent a reflection of the presence of sales outlets and quick product sales. The higher rate of growth in reserve capital and productive capital reflects to a certain extent adequate preparations and good production in the enterprises. (4) Loans to be recovered accounted for 74.52 percent of non-fixed circulating capital, down by 2.81 percent from the same period in 1984. This shows that preliminary results have been obtained in clearing up and recovering loans that should be repaid in all areas. (5) Self-owned circulating capital reached 2.321 billion yuan, up by 16.7 percent over the same period in 1984. This indicates that all areas have begun to focus on work to supplement their own capital. (6) There have been new improvements in investments coming from outside, capital raised by the masses, and departmental loans. Outside investments reached 252 million yuan, a 3-fold increase over the same period in 1984. Capital raised by the masses amounted to 229 million yuan, a 1.6-fold increase over 1984. Departmental loans amounted to 630 million yuan, up 1.1-fold over the same period in 1984. This shows that all areas have done a great deal of work to overcome capital difficulties and deal with the state's tightening of money markets.

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SMALL-SCALE ENTERPRISES

SICHUAN TOWNSHIP, TOWN ENTERPRISES MAKE PROGRESS

Chengdu SICHUAN RIBAO in Chinese 15 Feb 86 p 1

[Article: "Sichuan's Township and Town Enterprises Enter a Golden Age--Everyone Pools Their Wisdom and Efforts To Overcome the Capital Shortage; Speed of Development and Was Fastest and Results Best in 1985, Gross Value of Output and Gross Income Are Up by 59 and 65 Percent over 1984"]

[Text] Sichuan Province's township and town enterprises have fostered a spirit of reliance on their own efforts and strengthened their ability to deal with contingencies. They have dealt correctly with the relationship between speed and results and are striving to use every possible means to overcome the capital shortage and achieve even greater development. According to preliminary statistics from the relevant department in Sichuan, the gross value of output and gross income of the province's township and town enterprises were 14.14 billion yuan and 12.15 billion yuan in 1985, respectively, up by 59.3 and 65.2 percent over 1984. Taxes were up by 29 percent. Actual profits at the township and village levels were up by 21.6 percent, so 1985 was the fastest year in terms of the pace of development and the best year in terms of economic results.

Township and town enterprises began developing rather late in Sichuan and their foundation is weak. Although they have developed somewhat in recent years, they remain below the national average in per capita value of output and incomes. For this reason, all areas began to focus on good management of township and town enterprises as a means of speeding up development to prepare for doubling the total value of agricultural output by the year 2000. They ran up against the tight money market in China, and the shortage of capital worried the cadres and the masses. The development of township and town enterprises faced enormous difficulties. Party and government leaders and administrative departments at all levels as well educational cadres and the masses have gained a correct understanding of the importance of macroeconomic controls. This has guided them to have a stronger overall viewpoint, to foster a spirit of self-reliance and strive to realize it and to be concerned with actual results. They have implemented the principle of "deriving vitality from shortages, deriving the best from the limited, cooperating with common efforts and overcoming difficulties" that has affirmed their resolution to overcome their adversities. All areas are combining reliance on the masses and adopting multiple forms and multi-channel capital raising methods to use their limited capital in key projects that require few investments, have short

turnaround, and provide good results. After reorganization, construction was stopped or slowed on 3,535 projects, and investments shrank by more than 1.4 billion yuan, which was 38.1 percent of the total number of construction projects and 45.8 percent of the total amount of investments. More than 80 percent of the retained projects will be completed by the end of 1986. The pace of development has been sustained not only in the suburbs of cities but some hilly and mountainous areas also have been able to accelerate their pace of development. Some areas with underdeveloped commodity economies, poor industrial foundations and limited local financial strengths have adopted a method in which townships, villages, groups, households and associations of households turn together like "five wheels." They have adopted a principle of each seeking their own outlet, voluntary integration, self-raising of capital, independent decisionmaking in management, and responsibility for profits and losses. This has led to vigorous development of household-run and association-run enterprises with obvious economic results. The number of team-run, household-run and association-run enterprises was 1.53 times greater in 1985 than in 1984. All areas also have used natural resources and market demand as a basis for developing advantageous activities like food products, construction materials, energy resources, and so on. The value of output in these industries accounted for 56.8 percent of the gross value of output in Sichuan's township and town enterprises. There has been sustained growth in famous, superior, special and new products and in fast selling products. Sales of foreign trade products were up by more than 100 million yuan, including raw silk, which was up 20 percent. In addition, all areas have strengthened reorganization in existing enterprises to establish and perfect systems of contracted responsibility, and they have exploited potential, carried out technical transformations and reforms, increased enterprise vitality and improved economic results.

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SMALL-SCALE ENTERPRISES

SHANDONG TOWNSHIP, TOWN ENTERPRISES REPORT PROGRESS

Jinan DAZHONG RIBAO in Chinese 6 Feb 86 p 3

[Article by Chen Wenkui [7115 2429 7608]: "Promote Technical Progress, Develop Township and Town Enterprises"]

[Text] Many factors restrict development of Shandong Province's township and town enterprises at the present time. Besides the capital shortage, the next problem is the poor technical quality of employees and the shortage of skilled people. According to statistics, there are 6.62 million employees in the township and town enterprise system in Shandong, but only 2,000, or 0.03 percent, have college or polytechnical school education. A sample survey of some enterprises in a particular prefecture indicates that less than 10 percent of the employees have reached Grade 3 or higher in operation of technical personnel. In addition, the equipment in most enterprises was outdated, technologies were backward, production capacity was low, and economic results were not good. Although many enterprises have added new equipment over the past few years, most equipment was made in the 1950's or is old equipment taken out of service in state-run factories. The level of precision is low and it has poor technical capacities. Moreover, there are quite a few enterprises that lack the most fundamental quality guarantee provisions, and their products and reliability of safe production are poor. If we fail to deal seriously with this issue, not only will the enterprises lack the ability to compete, which will influence the existence and development of the enterprises, but moreover it may shake the people's confidence in the products of township and town enterprises and create social problems. For this reason, we must adopt the appropriate measures for positive encouragement of technical progress to promote the development of these enterprises.

First, science and technology and skilled personnel development should be treated as an aspect of capital construction for "spreading out another marcoplan" in township and town enterprises. Leaders at all levels should be bold in using various types of specialized skilled personnel and making plans for training talented people, and they should propose clear standards and requirements. Prefectures and cities with the proper conditions can employ capital raising or joint management patterns to establish township and town enterprise

polytechnic schools, and the enterprises can experiment with recruiting experts, professors, engineers and technical personnel from scientific research units and institutions of higher education to work as advisors and focus on solving technical and administrative problems. We should employ stronger horizontal relationships, broad-based economic and technical cooperation, joint administration and other methods, and we should import the appropriate advanced technologies and strengthen technical transformation to apply advanced S&T in township and town enterprise production and improve the quality of enterprises.

Second, township and town enterprises should take steps to implement comprehensive quality management. The enterprises should use small quality management groups to achieve full utilization of the intelligence and skills of all employees and to improve product quality. In addition, they also should practice management with industrial responsibility for product quality. We should organize production according to product technical standards and the scale of technology to establish and perfect quality supervision organs, and we should perfect inspection measures and improve the coverage rate of product standards.

Third, implement the "spark plan" and open up a new situation in development of township and town enterprises. The "spark plan" formulated by the State Science Commission and approved by the State Council is a strategic measure to promote technical progress in the enterprises that will be maintained over a long period and which inevitably will provide very good results. Township and town enterprises should arrange and implement projects according to market demand and develop the appropriate technologies, accelerate technical transfers and absorption, and establish a group of demonstration S&T enterprises that make rational use of natural resources and intensive processing so that universal improvements in enterprise product quality are accompanied by the creation of superior quality and famous brands so that the "sparks" of S&T ignite all of Shandong.

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CSO: 4006/810

SMALL-SCALE ENTERPRISES

ZHEJIANG TOWNSHIP, TOWN INDUSTRIES REPORT SUCCESSES

Hangzhou ZHEJIANG RIBAO in Chinese 22 Jan 86 p 1

[Article: "The Gross Value of Output in Zhejiang's Township and Town Enterprises Increased by Almost 10 Billion Yuan in 1985; Innovation and Exploitation of Potential Under State Macroeconomic Guidance Improve Economic Results; The Amount of Capital Used for 'Industrial Subsidies to Agriculture' Reached 150 Million Yuan, Almost Double 1984"]

[Text] Township and town enterprises in Zhejiang have continued to develop under state macroeconomic guidance. According to the most recent statistics from the Zhejiang Province Bureau of Township and Town Enterprises, the gross value of output in Zhejiang's township and town enterprises reached 24.5 billion yuan, up by almost 10 billion yuan over 1984. The value of industrial output was 22.5 billion yuan. Actual profits reached 2.2 billion yuan and 1.5 billion yuan in taxes was paid to the state. They have played a major role in assisting agricultural production and invigoration of the rural economy.

The state strengthened its macroeconomic guidance over township and town enterprises in 1985. To deal with this new situation, enterprises in all areas of Zhejiang mobilized the masses on a wide scale and adopted various measures to raise capital themselves. According to incomplete statistics, Zhejiang raised a total of 1.1 billion yuan in capital as a rather good solution to the capital inadequacies. Based on the overly large scale of capital construction at the beginning of 1985, all areas organized forces to deal with new construction and expansion projects. They shut down over 1,500 capital construction projects in Zhejiang and reduced investments by 820 million yuan. In addition, township and town enterprise administrative departments at all levels moved quickly to shift the focus of their work from an emphasis on value of output to comprehensive improvement of economic results. The Zhejiang Province Bureau of Township and Town Enterprises summarized the advanced experiences of the Hangzhou Universal Joint Plant, the Shangyu Pneumatic Machinery and Air Cooled Equipment Plant, and other units to formulate quality management methods, develop product quality inspection throughout Zhejiang, and improve the quality of township and town enterprise products.

Based on the principle of guidance according to categories, Hangzhou, Ningpo, Shaoxing, Jiaying, Huzhou and other areas with more developed township and

town enterprises perfected contracted responsibility systems for enterprise management to achieve a universal acceleration of technical transformation and the pace of new product development and to achieve expanded reproduction through internal expansion. In Shaoxing Prefecture alone, 43 new products underwent successful trial development and have been examined and approved by science commissions and other departments at the county level and above. This was a new record for new product development. In the mountainous and semi-mountainous regions of Jinhua, Quzhou, Lishu and other areas, the need for development of commodity production was dealt with during 1985 by opening wide the mountain passes, facing toward markets and making full use of abundant local natural resources to set up a group of enterprises that required few investments and provided results quickly. All counties and cities in Taizhou Prefecture, which is rich in fruit resources, have focused on agriculture to integrate "cropping, raising and processing" and develop farm and sideline product processing industries centered on the food industry. The total value of output in the food products industry in Taizhou Prefecture exceeded 319 million yuan in 1985, almost double the 1984 amount, and the value of output from the food industry now accounts for more than 20 percent of the gross value of output in township and town industries.

The sustained development of township and town enterprises not only has provided employment for 4.2 million laborers but also has provided large amounts of capital to assist agricultural production. About 150 million yuan in township and town enterprise capital was used for direct "industrial subsidies to agriculture" in 1985, nearly double the 1984 amount.

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CSO: 4006/810

FOREIGN TRADE AND INVESTMENT

YANG BO SPEAKS AT SYMPOSIUM IN MANHATTAN

OW150954 Beijing XINHUA in English 0823 GMT 15 Apr 86

[Text] New York, April 14 (XINHUA)--A leading Chinese official said here today that China is committed to guarantee legitimate returns on the investment of foreigners doing business in China.

Speaking at a symposium at the headquarters of the American International Group Inc, a world insurance giant, in Manhattan, Yang Bo, minister of China's light industry, said, "We will keep our word," adding that there has been so far not a single case that can prove the opposite.

The Chinese minister and his party are touring the United States to explore ways for broader cooperation between Chinese and U.S. businessmen and manufacturers.

Yang hoped that more foreign investors would go to China to help boost the country's light industry which, as one of the priority sectors in the economic development plan, is projected to grow at an annual rate of 8 percent during the next 5 years.

He said that the focus of his ministry's development efforts will be on the following three aspects--food, garment and durable consumer goods. Cooperation with foreign partners may be in the form of technology transfer, joint ventures, co-production, leasing and compensation trade.

In the last 5 years, the minister recalled, his ministry spent more than U.S. \$2 billion on technology and equipment import, to the benefit of both domestic manufacturers and their overseas partners.

He predicted more trade and joint ventures in China in the coming years. By last September, China had on its mainland 1,881 joint ventures, 3,408 co-production enterprises and 104 exclusively foreign owned companies.

The joint ventures under the Ministry of Light Industry include those producing chemicals, foodstuffs, beverages, washing machines, refrigerators, ceramics, paper and leather products.

Responding to a question on the reported financial trouble of the Beijing Jeep Corp, a joint venture with the American Motor Company, Minister Yang told the symposium participants that sometimes the press did not tell the whole story. The jeeps turned out by the joint venture are of good quality and in short supply in China, he said.

He was confident that the problems, if any, could be solved through mutual consultations between the parties concerned.

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CSO: 4020/287

FOREIGN TRADE AND INVESTMENT

BEIJING WELCOMES MORE FOREIGN INVESTMENT

OW110943 Beijing XINHUA in English 0720 GMT 11 Apr 86

[Excerpt] Beijing, April 11 (XINHUA)--Beijing will try to attract more foreign funds and advanced technology over the next 5 years to boost production and exports, it was announced here today.

Yu Xiaosong, director of the municipal Foreign Economic and Trade Commission, said the city government would give priority to completing facilities to house joint ventures for which contracts have already been signed.

It would create better conditions for such Sino-foreign businesses, with the aim of reaping early economic returns.

Between 1979 and the end of last year Beijing signed about 1,300 Sino-foreign contracts, including the import of modern technology and the establishment of 126 joint ventures. The deals involved a total of U.S. \$2.5 billion.

Last year, a United States tooling company became the first overseas business to be given permission to set up a venture backed solely by foreign investment in Beijing. The company invested \$390,000, and Yu described this as "a good beginning."

"We welcome foreign investment in various forms," he said.

The 37 businesses already operating in Beijing are all joint ventures.

Altogether, foreign companies as well as state-owned Chinese firms have invested U.S. \$1 billion in tourist services, including hotels and taxi companies. These equal 75 percent of the total value of the 126 joint ventures.

Yu said -- although the number of foreign tourists was expected to increase, there was no need to sign more contracts on joint ventures for new hotels, as many were waiting to be completed after the signing of earlier contracts.

A new 900-room hotel backed by Beijing and Hong Kong firms will open later this year near the Great Wall Hotel, in the north-east of the city.

Yu said the government was now more eager to attract foreign investment into new factories and production lines.

Foreign investment in enterprises would compensate for local shortages of funds, promote production, increase product quality and cut imports. These advantages had already been noted in electronics, textiles, foodstuffs and light industry. Scientific management had also improved hotel running.

A garment factory in the northeastern suburbs backed by Mido Textiles of Singapore can produce 200,000 suits a year, mostly for export.

Yu said that last year the city's total export value was \$620 million--a third of which was earned through garments and other textiles--and the target for this year was 700 million.

Efforts would be made over the next few years to export more machinery, improve product quality and upgrade transport facilities for exports.

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CSO: 4020/283

FOREIGN TRADE AND INVESTMENT

SINO-FRENCH JOINT VENTURE TO MAKE LIGHT COMMERCIAL VEHICLES

HK240306 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 24 Mar 86 p 3

[By Francine Brevetti recently in Guangzhou]

[Excerpt] The French vehicle company Peugeot is revving up to meet China's "very strong need" for a light commercial vehicle.

That demand is one of the many manifestations of modernisation and rapid growth, especially in Guangdong province.

Peugeot's partner is Guangzhou Automobile Manufacturing Factory [GAMF], which specialises in trucks and buses.

The venture first gained wide publicity for the size of its investment--\$234 million, of which Peugeot put up 22 percent, GAMF 46 percent, China International Trust and Investment Corporation 20 percent, International Finance Corporation 8 percent and Banque Nationale de Paris 4 percent.

Major car customers are the state agencies, state-owned enterprises and collectives.

"In the past 10 to 20 years, the possibility for individuals to buy cars was low," says General Manager Pierre de Montgolfier.

Things are changing. In 1983 Guangzhou had 3,000 taxis. That number had swelled to 10,000 by 1985. Demand for light pick-ups is growing among organisations, schools, retailers and firms.

Volume is between 80,000 and 100,000 yearly, Mr Montgolfier said.

Mr Liu Yuwai, deputy general manager of the joint venture and deputy general director of GAMF, noted that China has small manufacturing capacity for vehicles.

Last year, it produced 400,000, of which 70 percent were four or five-ton vehicles.

Only 8 percent were heavier and 15 percent of pick-ups were under two tons.

Volkswagen has a joint venture in Shanghai with annual output of 20,000 vehicles.

China also turns out Jeeps and Cherokees, but the Peugeot people say they don't compete with them.

The Peugeot factory will be on the site of GAMF's old plant, which is being modernised with new buildings and equipment.

It once manufactured 10,000 trucks a year, but they presented a marketing problem and productivity slid in 1980. GAMF then turned to buses.

The French-Chinese hybrid will be a 1.2-ton pick-up "suitable for the Chinese market, where 70 percent of the population is in agriculture and the rest are small companies, exactly the same as in France," Mr Montgolfier said.

Production is to begin on the first day of 1988, moving from semi-knocked down to completely knocked down.

By 1992, it should have 80-90 percent local content, he said.

Domestically-made vehicles follow old designs, Mr Liu said.

Only new joint-venture manufacturers introduce new technology, as Peugeot intends to do.

China-made engines come in one variety, 2500 cc, with comparatively high fuel consumption.

The Peugeot-GAMF vehicle will consume fuel at a 30 percent lower rate, according to Mr Liu.

A state-owned enterprise will distribute the vehicle, and Peugeot will organise its own after-sales service and maintenance network.

To earn foreign exchange, Peugeot will purchase and market between 10 and 40 percent of production.

It is not realistic to think of China as a market for passenger cars, the Frenchman said.

So few Chinese can afford them, nor will they be able to in the foreseeable future.

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FOREIGN TRADE AND INVESTMENT

STATE TO LIMIT FOREIGN PARTNERS IN JOINT VENTURE HOTELS

HK010724 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English
1 Apr 86 p 1

[By K. Gopinath]

[Text] Beijing, in a move that further emphasises its economic priorities, has decided to eliminate foreign partners from future hotel projects.

The decision to do away with overseas partners was taken in the first week of March and is already taking hold, reliable sources said yesterday.

The move, which will deal a lethal blow to overseas developers, will not affect any of the joint venture hotels now in operation.

Sources emphasised that foreign expertise would still be welcome in the field of hotel management--the decision merely underscored the Chinese awareness that they can develop hotels on their own without outside help.

"Names like Hyatt and Sheraton and Holiday Inn would be welcome, I think," said a source. "But everything else, from the planning stage upwards through various phases of execution, will be done by the Chinese."

According to sources Beijing will honour contracts signed before March but all current negotiations have been put on hold.

There are, however, doubts about the status of negotiations which are in an advanced stage and close to initialling.

To many firms the decision signals that the party is over, even while the lights are still on. There are close to 700 joint venture companies operating in China, most of who are involved with hotels which, when things turn out right, give the quickest returns.

Hundreds of hotel project applications were being processed or were being negotiated when the authorities made their move. It will have serious repercussions on many Hong Kong-based construction, engineering and design firms and architects.

The bulk of China's joint venture partners are from Hong Kong, Singapore and the United States.

But with the emphasis likely to shift from five-star hotels to economy hotels for budget travellers, foreign management may not be necessary.

The move will result in considerable savings of foreign exchange but it may create a crisis of confidence among foreign financial institutions which bankroll joint venture projects in China.

More than 600 banks have their representatives camped out in Beijing "waiting to finance whatever projects may be thrown up," says a representative.

However, much of the enthusiasm of the foreign banks is inspired by China's joint venture partners, their track record, their assets outside China and the realisation that money can be recovered from the joint venture partner if things go wrong.

With China's tough foreign exchange regulations and closed economy, some fear that getting money out of the country may prove more difficult in the absence of an overseas investor.

"A purely Chinese venture with no back-up from a foreign partner is full of booby traps," said a banker who requested anonymity.

"Sure, it may be guaranteed by the Bank of China (BOC) or one of the 43 institutions which normally guarantees joint venture projects in China. But that alone is not enough.

"Normally what you get is a 70 percent guarantee. In some of the hotel ventures it has come down as low as 40 percent. And one just doesn't feel comfortable with funding a purely local exercise in, say, Nanjing or Hubei.

"One prefers to talk to a foreign joint venture partner when it comes to re-payments and other delicate matters," he said.

Yet another banker felt banks would be ready to fund non-joint venture hotel projects if they were guaranteed by proper guarantor organisations.

"But I think such loans (made directly to a Chinese party) would suffer from the withholding tax. It's a grey area," he said.

Hotels were once considered the best way to quickly generate foreign exchange but, in the changing mood of the country, they no longer seem top priority.

Five-star hotels no longer head the list and China is already encouraging foreign banks to diversify funding into industries which generate foreign exchange.

"Every city in China wanted a five-star hotel," said a source close to China's hotel industry. "It was to be a sort of landmark. Now that mania is over."

Five-star hotels in Beijing are doing extremely well but, elsewhere, the picture is fairly dismal. Hotels in Guangzhou, for instance, are struggling to attract clients.

The stress from now on will be on economy hotels, mostly of the three-star variety.

The Chinese role model is apparently the Shanghai Hotel in Shanghai, which was Chinese-planned, Chinese-executed and is managed by Chinese exclusively.

It has no recreational facilities or a sauna but has wall-to-wall carpeting, hot water, telephones that work and colour TV--a comfortable hotel with no frills, which may be what the bulk of travellers in China may be looking for.

Hotels have been problem areas for joint venture partners. Most major cities lack infrastructure and there is a chronic shortage of staff trained to work in international hotels.

Wages of staff are arbitrarily raised by the authorities and joint venture partners have no say in wage fixing or increases. Local staff currently cost around \$1,200 a month, a 59 percent increase over 1984 wages.

Joint venture partners also have no control over hiring and firing of staff. The Sheraton group acquired the Great Wall Hotel on condition that they would be free to fire the staff; 500 were sacked in the first week.

The move also reflects China's determination to stamp out kickbacks in joint venture projects. Joint ventures usually involve four parties: the Chinese organisation, the inevitable "broker," the foreign partner and the financier.

Almost all joint ventures are done through a "broker," usually someone who is well-connected with Chinese organisations. Chinese firms normally demand, and receive, kickbacks from these agents.

The joint venture partner pads up the agent's consultancy fee (usually 1/2-1 percent) to include the kickback to the Chinese partner, inflating the total costs.

"One hotel deal concluded recently was padded up by 5 percent--2-1/2 percent to the broker and 2-1/2 percent to the Chinese party," said a banker. "That's not small when you're dealing in millions of U.S. dollars."

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CSO: 4020/284

FOREIGN TRADE AND INVESTMENT

NEW JOINT VENTURE TO IMPORT MICROWAVE TECHNOLOGY

HK020933 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 2 Apr 86 p 3

[Text] Helios Industrial Ltd, a joint venture company for importing vital microwave communication technology and equipment into China, particularly to Sichuan Province, will be set up in Hong Kong this month.

Xinguang Industrial Products Import and Export Corporation of Sichuan and Howeton International Ltd of Hong Kong are equal partners in the company, which will have a registered capital of \$40 million.

The Xinguang Corporation, which comes under the industrial department of the Ministry of Defence, handles a wide range of products, from fighter aircraft and small arms to optical glass.

It is a major export channel for civilian products manufactured by defence equipment makers in Sichuan, the traditional base of China's defence industry.

Howeton International, which set up a joint-venture taxi company in Sichuan recently, is active mainly in China trade.

Howeton director Mille Yim said Helios Industrial will initially import microwave communication equipment needed to link Sichuan's rural and urban areas.

Negotiations are being held with equipment suppliers from the United States, France and Japan, he said, adding orders worth between U.S. \$1.25 million and \$2.5 million are likely to be placed this year.

Mr Yim said Helios' medium-term goals include setting up factories in Hong Kong and Shenzhen to produce microwave equipment.

It plans to purchase an existing factory building in Hong Kong and will invest more than U.S. \$300,000 to establish a production base in Shenzhen as a stepping stone towards the transfer of foreign production technology to Sichuan.

Initially, the Shenzhen plant will assemble spare parts before upgrading to a 100 percent production facility, Mr Yim said.

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CSO: 4020/284

FOREIGN TRADE AND INVESTMENT

EXPORT EXPANSION PROJECT FACES DIFFICULTIES

HK310352 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 31 Mar 86 pp 1, 2

[Report from Beijing by Olivia Sin]

[Excerpts] China faces a herculean task to boost its exports by U.S. \$2.4 billion this year because of sliding world oil prices and growing protectionism in overseas textile markets.

This is the view of top Chinese officials and Western business analysts.

In addition, the country faces a drastic cut in its imports of 14 percent this year to preserve its precious foreign exchange reserves.

Purchases of assembly lines for the production of consumer items are also to be tightly controlled.

According to State Councillor and minister in charge of the State Planning Commission, Mr Song Ping, China's target for overall trade this year is U.S. \$56.8 billion, down from last year's \$59.2 billion.

With exports set at \$28.2 billion against last year's \$25.8 billion, this means imports will be cut to \$28.6 billion from \$33.4 billion last year.

The target figure for overall foreign trade was disclosed by Mr Song in a paper delivered at the National People's Congress last week.

Meanwhile, at a special closed-door discussion session of the NPC on Thursday, Minister of Foreign Economic Relations and Trade Zheng Tuobin voiced concern over the current soft prices for crude oil and coal.

In an internal paper, Mr Zheng reported China will lose more than U.S. \$200 million in revenue for every \$1 fall in the price of a barrel of oil on the world market.

This is believed to be the first time a leading Chinese official has disclosed the effect of sliding oil prices on the country's export earnings.

Mr Zheng's comment confirmed earlier BUSINESS NEWS reports that the slump will severely erode China's hard currency revenues, since crude and petroleum products are its major export earners, accounting for 25 percent of the total.

However, although the spot market price for crude has plunged by more than 50 percent in the past few months to about U.S. \$12 a barrel, industry sources said contract prices remained firmer.

Chinese officials said most of the country's crude exports--totalling 210 million barrels last year--are sold on a contract basis.

Mr Zheng pointed out China's crude exports will decline anyway this year as more of its output is directed to domestic consumption.

"This will have a considerable effect on our export earnings," he said, adding it will make more difficult the task of boosting exports by the \$2.4 billion called for in the Seventh Five-Year Plan for 1986-90.

The minister said every effort must be made to increase exports, which account for 80 percent of China's total foreign currency revenue.

He was candid about domestic problems which hamper export trade.

He cited inadequate transportation and production facilities, weak foreign trade management, competition for orders among Chinese enterprises, and the fact many of China's exports are in middle and low-end categories with little competitive edge.

Nevertheless, he said a steady growth in the world economy this year could help China's export effort.

According to the Foreign Trade Ministry, the country's exports in January and February rose by 17.1 percent compared with the same 2 months last year.

Neither Mr Zheng nor Mr Song indicated the percentage fall in imports projected for this year following the "import craze" last year which led to tight control on China's foreign exchange spending.

Mr Zheng said in his NPC paper that, apart from the ban on vehicle imports, purchases of motorcycles, TV sets, refrigerators, washing machines, video cassette recorders and household appliances will be limited.

Together, these accounted for U.S. \$4.96 billion, or about 14.8 percent, of China's total imports last year.

Attributing some of the blame for runaway imports to mismanagement by regional authorities, the minister said only about 44 percent of purchases of these items was arranged by the State Council.

The rest were brought in by regions including the special economic zones and Hainan Island.

Hainan Island was censured by Beijing last year for misusing foreign currency to import unnecessarily high numbers of motor vehicles and reselling them for profits.

Mr Zheng said China imported 97,000 cars last year when state planners had set a figure of only 50,000.

While it is necessary to import some luxuries to satisfy market demand from time to time, last year's levels were too high, he said.

There had also been serious overlapping in the import of assembly lines for the production of TV sets and washing machines.

Mr Zheng cited three reasons for uncontrolled imports:

--Too many departments and units had access to foreign exchange and control on its use was too lax.

--A serious information gap exists in China and authorities failed to take stock of the situation promptly.

--The selfish interests of some individuals who take advantage of the country.

Mr Zheng claimed, however, that China retains enough funds to finance its trade activities, and pointed out the country still holds substantial gold reserves.

He gave no figures.

Apart from boosting exports, the country aims to earn more by expanding its service industries such as aviation, banking, tourism and shipping.

It will also continue to import large amounts of modern equipment and raw materials necessary to fuel its domestic economy, he said.

Total trade is projected to grow by 7 percent annually during the 5-year plan.

It calls for exports to reach U.S. \$38 billion by 1990 while imports will rise to \$45 billion, which means China will continue to run a trade deficit over the next few years.

--Business analysts studying the latest 5-year plan believe foreigners who had hoped for a vast market in China should instead prepare themselves for some long, thin years ahead, according to an AFP report from Beijing.

In his report to the NPC on Tuesday, Premier Zhao Ziyang said China's economic reforms faced problems of a mounting foreign trade deficit, low-quality exports, inflation, and rapidly rising expectations.

His prescription--slower economic growth and tighter import controls--will mean tough times for foreigners seeking to sell to China, especially the Japanese, who have relied on cars and consumer goods, the analysts said.

American and European exporters who concentrated on technology sales are expected to fare better, but they, too, will be squeezed by slower trade growth resulting from China's foreign exchange shortage, they argued.

"The China market people dreamed of has disappeared for the time being," said one analyst.

Mr Zhao did not say if or when overall foreign trade growth would resume during the next 5 years, but stressed that import levels must be tied to the success of the country's export drive.

China had a record U.S. \$14.9 billion trade deficit last year.

In contrast to Chinese officials who several months ago described China's foreign exchange shortage as transitory, Mr Zhao said it would "remain a prominent economic problem for a long time to come."

Western economists said China will be hard hit by the plunge in oil prices.

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CSO: 4020/283

FOREIGN TRADE AND INVESTMENT

LEASING BUSINESSES REPORT RAPID EXPANSION

OW211853 Beijing XINHUA in English 1521 GMT 21 Mar 86

[Text] Beijing, March 21 (XINHUA)--China's leasing companies have reported provisional 1985 turnover of more than U.S. \$870 million, almost double the 1984 figure, according to the State Economic Commission.

At the end of last year, there were 31 leasing enterprises throughout the country. Most were set up over the past 2 years.

Liu Tiemin, an official of the Economic Commission's Institute of Economic Management, told XINHUA that the leasing business had developed rapidly, even though the government had tightened the money supply and controlled excessive growth of industrial production last year.

This showed that Chinese companies regarded the leasing business, launched in China in 1981, as a reliable means of acquiring imported technology and equipment.

The China Orient Leasing Company and the China Leasing Company, two pioneers of the business, each reported turnover of more than U.S. \$160 million last year--up by 35 percent and 39 percent respectively over 1984 figures.

The China Orient Leasing Company is a Sino-Japanese Joint Venture. It has imported technology and equipment for more than 480 enterprises in 22 provinces, autonomous regions and major cities throughout the country since it was set up in April 1981.

The China Leasing Company, China's largest state-owned leasing enterprise, has clinched more than 540 deals since it was set up in July 1981, worth a total of U.S. \$346 million.

The deals involve textile and light industry, electronics, building materials, metallurgy, transport, communications and agriculture.

In addition, it has set up more than 40 agencies and six subsidiary companies in conjunction with regional authorities to form a national leasing network. It has also established business links or co-operative relations with financial organizations in many countries and regions.

The China Universal Leasing Company, set up in November 1984, reported turnover of U.S. \$120 million last year.

The company, jointly managed by China, Japan and the Federal Republic of Germany, had signed more than 220 leasing contracts with Chinese customers by the end of 1985. Its leasing commodities cover 30 categories, including electronics, equipment for oil exploration, development, storage and transport, machinery for textiles and light industry, machine tools and motor vehicles.

These commodities were leased from 13 countries and regions. About 35 percent came from Japan and Federal Germany.

It is understood that the Institute of Economic Management, in co-operation with leasing companies, has started drafting regulations concerning the business to cope with its rapid growth.

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CSO: 4020/287

FOREIGN TRADE AND INVESTMENT

GOVERNMENT TO MAINTAIN TWO SETS OF TRADE FIGURES

HK010632 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 1 Apr 86 p 1

[Report from Beijing by Olivia Sin]

[Text] Two sets of contradictory trade figures released by different Chinese departments will probably continue to co-exist in the near future.

The two departments at logger heads over each other's statistics are the General Administration of Customs and the Ministry of Foreign Economic Relations and Trade, MOFERT.

While the arguments between the two departments continue, a top Chinese official, Song Ping, has called for improvement in the compilation of statistics and economic information.

In a paper delivered to the National People's Congress meeting, Mr Song, a state councillor and the minister in charge of the State Planning Commission, said more accurate statistics were needed to assist macro-economic control.

The discrepancy between the Customs and MOFERT figures was at its most embarrassing last year when the Customs announced a trade deficit almost double that offered by MOFERT.

According to the Customs, China imported U.S. \$42.2 billion last year while exports stood at \$27.3 billion, resulting in a deficit of \$14.9 billion.

On the other hand, MOFERT said the country's imports were only \$33.4 billion, exports \$25.8 billion, and the deficit \$7.6 billion. The biggest discrepancy was in the calculation of import value.

Senior MOFERT official Zhou Keren, in an interview with BUSINESS NEWS, explained in detail the difference in the two departments' calculation methods and concepts.

Mr Zhou, chief of the information division of MOFERT's policy research departments, also said the agency would continue releasing its trade figures, which he said were a better reflection than others of the country's foreign trade performance.

Asked if MOFERT would consider unifying the two sets of figures, Mr Zhou said central government planners made their projections, such as those in the five-year plan, on MOFERT's figures.

He gave six reasons for the differences between the figures:

--Machinery and raw materials imported by joint and wholly-owned foreign ventures in China are counted by MOFERT not as imports but as part of their investment. Customs notes every item passing its checkpoints. Observers point out that there are hundreds of these ventures in the country.

--Following the adoption of the open-door policy, many foreign businessmen have signed processing agreements with Chinese factories to take advantage of their cheaper labour and land costs. Customs records all raw materials shipped in as imports and finished products as exports. MOFERT counts only the value-added portion of the exports, and does not include raw materials as imports.

--Customs figures include donations to China by some foreign government organisations and Overseas Chinese, as well as the import of daily necessities by foreign representatives and embassy officials in China MOFERT excludes all these.

--MOFERT figures include the value of its trade contracts which involve some entreport trade conducted by MOFERT outside China. These are not counted by Customs.

--The two departments also differ in the calculation of pricing of goods and in the classification of exports and imports.

--MOFERT figures are based on when contracts are signed, not when goods are delivered, while Customs figures reflect the amount of goods actually registered at Customs posts.

MOFERT usually releases figures on a half-yearly basis while Customs gives a detailed breakdown in a quarterly statistics report.

While conceding that Customs figures are more acceptable to other countries, Mr Zhou insisted that MOFERT's figures were valuable in the state planning process.

MOFERT started keeping statistics earlier than Customs and had a full record of the country's foreign trade performance during the Sixth Five-Year Plan (1980-85), he said. Customs began compiling figures only around 1981.

It appeared Chinese Premier Zhao Ziyang, in his report presented to the Congress meeting last week, used figures provided by MOFERT. Premier Zhao said total import and exports in the past 5 years reached \$230 billion, which coincided with the figures released by MOFERT Minister Zheng Tuobin in a closed-door session of the NPC. Mr Zheng said imports in the past 5 years topped \$114.3 billion and exports reached \$115.1 billion bringing a total trade of \$229.4 billion.

FOREIGN TRADE AND INVESTMENT

OFFICIAL DISCUSSES CONTINUED USE OF INTERNAL REGULATIONS

HK041354 Hong Kong AFP in English 1249 GMT 4 Apr 86

[Excerpt] Beijing, April 4 (AFP)--China is drafting new laws to aid development of links with foreign countries, but will also continue promulgating "internal" regulations for Chinese eyes only, a top legal official said here Thursday.

Yang Jingyu, a deputy director of the National People's Congress's (NPC's) Legislative Affairs Commission, told reporters that economic laws being drafted included a customs law and a corporations law.

Laws concerning foreign enterprises are being made public to guide foreigners and Chinese in their dealings with one another, but "interior" regulations governing Chinese citizens' activities will continue to be issued. Mr Yang said.

Foreign businessmen here sometimes complain that internal regulations, which cannot be shown to foreigners, make it difficult for them to do business in China. The regulations cover a wide range of activities including dealings with foreigners, observers said.

Mr Yang said the practice would continue since the regulations concerned only Chinese citizens.

Gu Angran, another deputy director of the Legal Affairs Commission, said other legislation being drafted included a state-owned industrial enterprise law, labour law, maritime law, bankruptcy law and a township enterprise law.

"Next in line will be the copyright law and the technical contracts law," he said, adding that the quickened pace of legislation was aimed at meeting the needs of the country's economic restructuring and open-door policy.

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CSO: 4020/283

FOREIGN TRADE AND INVESTMENT

SICHUAN PROVINCE IMPROVES FOREIGN TRADE PROSPECTS

HK140746 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 14 Apr 86 pp 1, 2

[By Peter Robinson]

[Text] China's most populous province, Sichuan, is shrugging off the disadvantage of being landlocked, which has restricted its foreign trade, to become a major testing ground for competitive trading practices, according to a report by the Trade Development Council (TDC).

The report says that until recently, Sichuan's foreign trade has been carried out by a small number of specialised corporations organised along traditional lines. But now new entities are being set up, leading to greater competition.

Elevation of Sichuan's principal city, Chengdu, to the status of a province in 1983, has also helped create more competitive trading throughout the province.

Sichuan's distance from the coast has previously inhibited growth. Despite its resources and population, it ranks only 13th as an exporter among China's 29 provinces, municipalities and autonomous regions.

However, the report says there are signs the situation is changing. Chengdu established a direct air link with Hong Kong last year. Water transport has been improved along the Yangtze River and freight shipment is reported to have increased by more than half in 1984. Together, these are expected to improve foreign investment.

In the short term, however, foreign exchange restrictions common to all of China may hold back growth.

The TDC report says Hong Kong is the biggest market for Sichuan. But the figures given are for 1982, when Hong Kong absorbed 35 percent of the province's exports. Japan accounted for 20 percent, the EEC 10 percent and the U.S. 7 percent.

Parallel trade since 1984 is reported to have eroded Sichuan's official exports.

Most of its imports are geared towards production rather than consumption.

The TDC says: "Though the amount is still small, Hong Kong businessmen have been the most active overseas investors in Sichuan. During the Sichuan symposium on investment held in Chengdu in April last year, out of the 12 projects contracted, half were signed with Hong Kong businessmen. These included spectacle frame production and a fast-food shop operation."

Sichuan officials indicated that until they have built up more experience, they prefer compensation trade to joint ventures.

To increase international trade, the province has established at least two companies in Hong Kong. Jialing (Hong Kong) Co Ltd is a general trading company, while Shunhui Industrial Co Ltd intends to produce micro-wave telecommunications equipment in the territory.

Last year, the World Bank loaned U.S. \$25 million to Sichuan for a study of how to maximise gas production.

The province accounted for more than half China's natural gas output in 1984. It is also rich in mineral resources.

Sichuan has 100 million people but until recently has found it difficult to import sufficient goods because lack of export growth deprived it of foreign exchange.

The TDC says that since 1980, Sichuan has become a major testing ground for China's new economic policies.

The total gross value of industrial and agricultural output rose 40 percent in the 4 years to 1984. Agricultural output ranks third among China's province after Jiangsu and Shandong, while the cities of Chengdu and Chongqing were among the top 15 in China for industrial output last year.

Sichuan's imports in 1985 totalled about U.S. \$96 million. The major imports were machinery and knitwear, cassette tape and other processing equipment. In the early 1980's, Sichuan bought a large amount of synthetic fibre from Hong Kong but in the past 2 years imported mainly production equipment.

Consumer products made up less than 5 percent of 1984 imports. Most were household electrical products and mainly Japanese.

The report says: "A huge and unsatisfied demand for imported consumer goods, along with rising income, have given rise to fake and imitation products." There is great demand to copy a Guangzhou lifestyle, replete with the latest consumer electrical imports from Hong Kong.

Major development areas include silk finishing, food processing, leather processing, construction materials, household electrical appliances and energy, transportation and mineral resources.

Tourism could be developed, because there are many scenic and historical attractions in Sichuan, of which the most famous is Jiu Zhai Gou. But the

tourism infrastructure of hotels, transportation and tourist guides requires further development.

At the moment there are four big hotel projects inviting foreign participation-- Chengdu Tian Fu Great Hotel, Yizhou Hotel, Zi Gong Konglong Hotel and Wanhua Jinshe Travellers Hotel.

The TDC says: "Sichuan has a fairly broad and strong industrial base, deriving mainly from its long established defence industries."

Its output of power generating equipment amounted to 26 percent of China's total in 1984. A joint venture with Honda of Japan has the capacity to produce over half China's motorcycles.

Its exports in 1984 reached U.S. \$215 million, with agricultural products accounting for 47 percent.

The province produced only 5 percent of China's silk textiles in 1984 but this was its most important export category, contributing a third of total export value. Other textiles, including ramie, cotton fabrics and cotton yarn accounted for about 10 percent. Gloves, medicinal herbs, marble, and machine tools were other major categories.

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CSO: 4020/287

FOREIGN TRADE AND INVESTMENT

BRIEFS

INCREASED EARNINGS FROM EXPORT POLICY--Fuzhou, March 30 (XINHUA)--Fujian Province reported to have got an export earning of more than U.S. \$90 million by March 20 this year, 58 percent more than in last year's same period. Local officials said here today the development of Fujian's industry and agriculture enabled the province's export earnings to reach U.S. \$490 million last year, 16 percent more than in 1984. The province exports aquatic products, vegetables, jewellery and minerals. The export earnings are mainly used to import foreign technology and equipment needed in its modernization drive, Vice Governor Chen Binfan said. Only by greatly expanding exports, is it possible to better implement the open policy and accelerate the local economy, he noted. The Fujian provincial government has adopted a number of policies to encourage exports, including extra bonuses and more export earnings retained by producers. At the same time, the province encouraged export producers to retool enterprises with foreign technology and develop new and high quality products, said the vice governor. [Text] [Beijing XINHUA in English 1053 GMT 30 Mar 86 OW] /8918

VIDEO TECHNOLOGY IMPORTS--Beijing, April 10 (XINHUA)--China has decided to import advanced technology and equipment for producing video-recorders in a rational way. This is to avoid reckless imports, an electronics official said at a meeting here today which was attended by representatives of nearly 30 companies from Europe, the United States and Japan. Shi Hongliang, director of the radio and television industry bureau, told the participants that China will put the stress on importing advanced technology and at the same time purchase necessary equipment and instruments. China's ultimate goal is to establish its own video industry, he added. The country began to produce video-recorders in the 1970's. In order to raise the production capacity and technological level, Shi said, China will import technology and designs for producing complete sets of video-recorders, a number of production lines each with an annual capacity of manufacturing 120,000 to 150,000 sets, and production lines for special parts and items. This program is expected to be completed within 30 months, he said. According to the director, six radio factories in Beijing, Shanghai, Tianjin, Nanjing and other big cities have been selected by the state to produce video-recorders. [Text] [Beijing XINHUA in English 1600 GMT 10 Apr 86 OW] /8918

GUANGXI ZHUANG REGION BOOSTS EXPORTS--Nanning, April 9 (XINHUA)--Southwest China's Guangxi Zhuang autonomous region has exported U.S. \$77 million worth

of goods so far this year, a 37 percent increase over the same period of last year. Local officials said here today that exports from the region fall into 12 major categories--2,500 kinds altogether--including animal husbandry, textile, light industry, chemical, medicinal and engineering industry products, grain and handicraft articles. The increase in Guangxi's exports is partly due to priority given to export-oriented enterprises in the supply of raw materials, electricity and transportation, the officials added. [Text] [Beijing XINHUA in English 1435 GMT 9 Apr 86 OW] /8918

EXPORTS RISE IN FIRST QUARTER--Beijing, April 13 (XINHUA)--China exported \$5.87 billion worth from the first 3 months of last year, according to the Ministry of Economic Relations and Trade today. This is the largest first quarter growth for the past few years, officials from the ministry said. The total import and export trade in the first 3 months increased by 6.3 percent over the same period of last year. The value of crude oil export dropped by 30 percent due to export cut and price fall while the export of other manufactured goods was up by 33.7 percent. Big increases were reported in the exports of light industrial goods, textiles, arts and crafts, agricultural and native produce, chemical products and machinery and equipment. The country imported one third more rolled steel and 37.5 percent more timber in the first 3 months than the same period of last year while cutting the imports of motor vehicles by 50 percent and household electrical appliances by two-thirds. [Text] [Beijing XINHUA in English 0713 GMT 13 Apr 86 OW] /8918

LOAN AGREEMENT SIGNED--A U.S. \$211 million syndicated loan agreement to finance two power station projects in Nantung and Shijiazhang was signed recently in Beijing. Signatories to the agreement are the Huaneng International Power Development Corporation and a consortium of banks and financial institutions. The loan, jointly arranged by China Development Finance Co (Hong Kong) Ltd and Chase Manhattan Asia Ltd, will have three tranches. The largest tranche of about U.S. \$150 million, with a maximum term of 14 years, is to be lent by the consortium in conjunction with an Italian Government export credit agency. The second tranche of about U.S. \$56 million will have a 5-year term and has been arranged on commercial terms, details of which were not available. The remaining tranche is a North American medium-term suppliers' credit. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 31 Mar 86 p 1 HK] /8918

IMPORT-EXPORT COMPANY APPROVED--Harbin, March 31 (XINHUA)--Heilongjiang Province in northeast China announced here today it will open its provincial import and export company April 1. The establishment of the company has been approved by the country's Ministry of Foreign Economic Relations and Trade, said provincial officials. Heilongjiang is one of China's major producers of grain and timber. It is also a principal energy, chemicals, and light and heavy industry base. The province's production of soybean, beet, and flax was first in China. Heilongjiang exported U.S. \$410 million worth of commodities in 1985. Its total volume of border trade with the Soviet Union that year was more than 30 million Swiss francs. The province also signed 43 contracts totalling U.S. \$82 million with businesses from foreign countries, and Hong Kong and Macao last year. [Text] [Beijing XINHUA in English 1906 GMT 31 Mar 86 OW] /8918

CSO: 4020/283

TRANSPORTATION

VICE PREMIER LI STRESSES COMMUNICATION, TRANSPORTATION ROLE

Chengde JINGJI XIAOXI in Chinese 11 Feb 86 p 1

[Article by Chun Sheng [2504 3932]: "At the Conference on Communications and Transportation Work Vice Premier Li Peng Stresses the Importance of Communication in the Development of a Commodity Economy"]

[Text] At the First Conference on Communications and Transportation Work, Vice Premier Li Peng said that in developing a commodity economy communications should come first. During the next 15 years there will be great development in communication and transportation facilities.

Li Peng pointed out that currently communication and transportation facilities in China are still the weak link in the national economy. Many areas cannot meet the demands of economic growth in towns and villages. Therefore, reform of communication and transportation industries is imperative. The principal tasks for reform in communication departments are to separate politics and enterprises, simplify administration, relax policies, and truly transfer authority to transportation enterprises. It is necessary to motivate initiative on all sides and encourage all the people, collectives, and individuals, to join together to deal with communications.

Li Peng said that henceforth, on the basis of continuing to develop the role of railroad transportation as the backbone, we should improve the development of highways and water transportation and give full play to the role of highways for short-distance hauling and of river shipping. It is necessary to smash the limitations of businesses and establish a communications network for national, unified, and coordinated development. Besides formulating a series of feasible guidelines and policies, an important measure for developing communication and transportation facilities is to improve the level of science and technology and develop, as appropriate, some high-quality highways, such as high-speed roads, so as to ease problems in transportation. It is also necessary to transform wharfs, realign river courses, and strengthen handling capacity and freight volume.

9864/9869

CSO: 4006/815

TRANSPORTATION

MINISTRY URGES MORE ATTENTION TO TRAFFIC SAFETY

OW071608 Beijing XINHUA in English 1559 GMT 7 Apr 86

[Text] Beijing, April 7 (XINHUA)--Traffic accidents in the first 3 months of this year claimed 2,537 lives and injured another 13,235 people in China, a public security ministry official said here today.

Wang Jinrong told a press conference that 21,126 traffic accidents occurred throughout the country during the period--an 18.5 percent increase compared with the first quarter of 1985.

During the whole of last year, 12,042 people died and 64,698 were wounded in 97,421 road accidents.

Wang said that from this month, the public security ministry would supply the press with monthly accident reports.

The ministry was keen to publicize such information. It was part of a drive to make the public more aware of the dangers on the roads, and of the importance of abiding by traffic laws.

People's ignorance of and reluctance to abide by traffic laws was one of the main reasons for the growing number of accidents.

He said: "Almost all these accidents were caused through violations of traffic laws."

Another major reason for the increase was that the construction of new roads lagged far behind the growth in the number of vehicles.

In Beijing, for example, the number of vehicles increased by about 36,000 in 1984 and another 65,000 last year. But during the same year, the number of roads increased by only 2 percent.

And small roads were often obstructed in parts by newly-built shops, pedlars and vehicle parking.

Wang urged the public to pay greater attention to road safety. He said his ministry was taking steps to improve traffic management, but did not give details.

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CSO: 4020/285

TRANSPORTATION

MINISTER DING EMPHASIZES IMPORTANCE OF WORK ON RAILWAYS

Chengde JINGJI XIAOXI in Chinese 11 Feb 86 p 1

[Article by Shan Cheng [1472 2110]: "Minister Ding Guangen [0002 7070 2704] Points Out That the Goal of Work on Railroads in the Seventh 5-Year Plan Is To Change from Emphasis on Production to Developing Business Operations"]

[Text] Minister of Railways Ding Guangen recently pointed out that railway passenger and freight transportation is becoming more tightly stretched day by day. The struggle objectives for railways during the Seventh 5-Year Plan are to ensure that work on railroads gets underway in an active rather than passive manner and that emphasis is shifted from production to developing business operations so that railroad transportation no longer fails to meet the demands of the national economy.

Ding Guangen said that the two most critical problems in work on railways at the present time are: (1) transport capacity cannot satisfy the steadily increasing demands for passenger and freight transportation; and (2) the masses still have many comments regarding the quality of railroad service. This year railroads must seriously focus on expanding transport capacity, adopting reforms and innovations, technological transformation, tapping the potential of equipment, improving management, strengthening discipline, improving service, and other effective measures. It is necessary to stress improving ideological and political work and to intensify rectification of party character and methods.

9864/9869

CSO: 4006/815

TRANSPORTATION

ELECTRIFICATION PLANNED FOR 3,000 KM OF RAILWAYS

OW122146 Beijing XINHUA in English 1553 GMT 12 Apr 86

[Text] Zhengzhou, April 12 (XINHUA)--China plans to electrify another 3,000 km of its railways over the next 5 years, said a Ministry of Railway senior engineer here today.

It has a total of 4,196 km of electrified railway lines, 2,500 km of which were constructed in the past 5 years, according to Su Ziwen, deputy chief engineer at a Zhengzhou-based designing institute of the ministry.

The institute specialises in designing electrified electrification.
[sentence as received]

Its railway electrification program was first conducted to boost railway transport in the mountainous southwest, the first electrified railway being completed in 1960.

Before the 1980's, electrified railways built included that between Baoji (Shaanxi Province) and Chengdu (Sichuan) and part of the line between Xiangfan (Hubei) and Chongqing (Sichuan).

To increase the out-going transport of coal produced in Shanxi Province, China has shifted the focus to the electrification of railways on the plains in the north in the past 5 years.

In the next 5-year period, China will further shift its focus to railway electrification programs in its industrial bases in the northeast and some coastal areas, according to the Su Ziwen.

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CSO: 4020/285

TRANSPORTATION

MODERNIZATION OF GUANGZHOU-SHENZHEN RAILROAD

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 85 pp 1-2

[Article by Dai Quan [2071 2938] and Li Zhenxing [2621 2182 5281]:
"Modernization of the Guangzhou-Shenzhen Railroad"]

[Text] Double tracking and electrification in a giant stride toward modernization is underway on the Guangzhou-Shenzhen Railroad, an important route connecting Guangdong Province and Hong Kong, in order to hasten the pace of construction of the special economic zones [SEZ's] and to advance development of foreign trade and tourism.

Roc City Takes Off

Shenzhen, the terminus of the Guangzhou-Shenzhen line and which is known as "Roc City," is one of China's SEZ's. It is an important port for both foreign trade and international contacts. It is continuous with Hong Kong's New Territories, is bounded on the east by Daya Bay and on the west by the mouth of the Zhu Jiang. It backs up to a mountain and faces out on the sea. The city has an area of more than 2,000 square km. Within the 327.5-square-km special zone have been built the Shangbu, Liantang, Futian, Houhai, Shekou, and Nantou industrial zones in the preliminary formation of bases for electronics, light industry and textiles, hardware and machines, and industries of a composite nature. Traders from more than 50 countries and regions have invested in the establishment of plants here. Newly build industrial plant buildings stand row upon row, and block after block of buildings of 20 stories or more tower toward the sky. The building of the special zone is like a large roc spreading its wings, and its burgeoning development is now in the ascendant.

The special zone has abundant natural resources. It has large tracts of land that can be supplied for development; it has plentiful quantities of granite, marble, and limestone; petroleum in the South China Sea is under development, and the economy of the Zhu Jiang delta is becoming more and more prosperous. Agricultural and sideline products and aquatic products include oysters from Shajing, shrimp from Jiwei, abalone from Dapeng, chickens from Longgang, and lichees from Nantou. This area has vast and bright prospects for development.

Heavy Transportation Responsibilities

The Guangzhou-Shenzhen line is a section of the Guangzhou-Kowloon Railroad, that connects with the Beijing-Guangzhou Railroad to the north and the Shenzhen-Kowloon section of the line to the south. It is a transportation artery that connects the province to Hong Kong and it is also an important route for foreign trade and international contacts. Construction of this section of the railroad began in 1906. Construction was completed in 1911 and the line was opened to traffic. The line has been in operation for more than 70 years. Since the founding of the People's Republic, numerous improvements have been made in this section of the line, such as increasing the radius of curves, replacement of concrete sleepers, laying of seamless track, and use of diesel locomotives in the steady upgrading of transportation capabilities. Nevertheless, it remains a single-track line to this day. At most small stations along the line there are sidings; facilities are fairly rudimentary.

As the national economy has developed and particularly since institution of the policy of opening China to the outside world and the building of Shenzhen as an SEZ, both passenger and freight transportation volume have spurted. Today, passengers regularly number 10,000 daily, and on most holidays the number swells to 40,000 daily. Passenger volume at Shenzhen station alone increased from 2.9 million in 1980 to 3.9 million in 1984. Goods transported to Hong Kong is more than 2 million tons and nearly 6 million tons of freight arrive at Guangzhou. There is a shortage of both passenger and freight transportation. The original line is far from being able to meet needs of economic development. Ever since the completion during the 1980's of the double-tracking of the Kowloon to Luohu section (the British section) of the line, in particular, the Guangzhou-Shenzhen section has become more glaringly unable to meet needs. Unless improvements are made urgently, economic development of Guangdong Province and of the Shenzhen SEZ is bound to be affected. For this reason, the Ministry of Railways has decided to follow the principle of phased investment in phased construction of the Guangzhou-Shenzhen section to obtain phased benefits from it, carrying out double-tracking and electrification, building a railroad with first-rate technical equipment and advanced management that will become a "Chinese railroad showcase." On 15 December 1983, the Ministry of Railways set up the first economic entity for the whole line, the Guangzhou-Shenzhen Railroad Co., which is independently responsible for administration, management, and technical improvements of the entire line.

Complete Improvement

The Guangzhou-Shenzhen line begins at Guangzhou in the north and goes through Shitan, Shilong, and Zhangmutou to Luohu Bridge at Shenzhen. It has a total of 23 stations and a length of 147 km. Estimated total investment in double tracking and electrification will be nearly 700 million yuan, and construction will be divided into three phases. During the first phase, the 26-km-long section between Guangzhou and Xiyuan will be double-tracked; the 18 medium-size and small stations between Shipai and Pinghu will be improved and two new stations will be built at Huirang, the north station in Shenzhen will be enlarged; a second passenger station for Guangzhou will be built at Tianhe

(including a station for joint inspection of through trains between Guangzhou and Kowloon). During the second phase, the 121-km-line between Xiayuan and Shenzhen will be double-tracked. During the third phase, double-tracking and electrification of the entire line will be completed.

Construction plans for the second passenger station at Guangzhou call for a large passenger transportation station with modern facilities. This will include a 20-story, 80-meter-high building with 170,000 square meters of space that will provide all passenger transportation services. The building will have shops, restaurants, a hotel, a large conference room, a garage, and various recreational facilities. Seven passenger-train lines and seven freight-train lines are to be built at the large passenger station as well, plus five elevated highway crossovers, a passenger station platform, tunnels, and overpasses, and complete overhead switching equipment. The project will require an investment of 100 million yuan.

Under construction in Shenzhen are the Guangzhou-Shenzhen Co. headquarters building, a dispatching building, and a comprehensive scientific and technical services building with 24 stories. They include central air-conditioning, a hotel, recreational facilities, a water tower, a parking garage building, a shopping mall, a rooftop swimming pool, and an underground reservoir. There will also be a high- and low-voltage electrical transformer system, a water supply and sewage system, a firefighting system, and a waste-treatment system.

The Shenzhen train station area is to be expanded from the former somewhat more than 5,000 square meters to more than 27,000 square meters. The station building will be five stories tall and will span all the tracks in the station. It will have shops, a restaurant, and a parking garage.

Each of the line's 13 medium and small train stations will be distinctive, thanks to a design competition. The style of construction will be new and original; they will be spacious and they will have the style and features of the southern part of the country. After expansion, the Shilong train station will have a three-story courtyard style waiting room with a seating capacity of 800. It will be air-conditioned to maintain a comfortable temperature. A railroad track crossover is also to be built that will have a 25-meter-long walkway. There will be a main station platform, an intermediate station platform, and a freight platform with shops and restaurants. The entire train station will become a new kind of passenger station providing multiple facilities and services.

On 27 February 1984, ground was broken for the double-tracking and electrification of the Guangzhou-Shenzhen Railroad, and much work had been accomplished by the end of the year. During the first half of 1984, forces were concentrated on five urgent transportation needs. After coming on stream on 1 July, the overall transportation capacity of the Guangzhou-Shenzhen line rose 30 percent. Since 1 April 1985, the No 15 and No 16 express trains from Beijing to Guangzhou have been extended to Shenzhen.

Plans call for completion by the end of 1985 of the construction and expansion of all railroad stations along the line, for completion of double-tracking by the end of 1986, and complete electrification by the end of 1987.

First-Rate Facilities

New technical equipment is being used on the Guangzhou-Shenzhen line, and once it has been completely refurbished, it will be the most modern line in the whole country. Automatic blocking is used for traffic; stations use China-produced Model 6502-G electric marshallers; the most advanced optical fibers are used for communications; stations are completely air-conditioned; traffic control employs dispatching and marshalling; and the command center is located in the Guangzhou-Shenzhen Co. headquarters building at Shenzhen. Station operating capabilities and passenger and freight equipment have been completely updated and improved, with the result that through capacity between areas has risen to more than 80 pairs of pingxingtou [1627 5887 0956] versus the former 46.5 pairs, for a 72-percent increase. Shenzhen north station's arrivals and departures, dispatching, holding and freight receipt and dispatch capabilities will double. Direct transportation time between Guangzhou and Shenzhen will be reduced by 25 minutes, and direct passenger train time between Guangzhou and Kowloon will be reduced by 40 minutes. Use of electric locomotives all along the Guangzhou-Kowloon Railroad will not only reduce environmental pollution along the line, but will also set the stage for the running of high-speed electric-powered passenger car units. Transportation capacity of the Guangzhou-Shenzhen section will increase 25.5 percent as compared with diesel engines. Maximum transportation capacity between Guangzhou and Xiancun will be 40 passenger cars, and freight volume will range from 28.3 to 34.2 million tons. Between Xiancun and Shenzhen, transportation volume will reach 31 passenger cars and 13.7 million tons of freight.

Tourist and Vacation Resorts

Shenzhen is the subtropics where the climate is balmy, surroundings exquisite, and where there are numerous places for sightseeing and vacationing. The Shenzhen Reservoir, just 3 km outside the city, is surrounded by mountains. The scenery is enchanting, and the area is serene and secluded. Xiaomeisha vacation camp on the shores of Dapeng Bay has verdant hills that extend directly to the coast. The azure-colored ocean water is so clear one can see to the bottom. There are bathing facilities, pleasure boats, an amusement park, and luxurious vacation villas here. Xili Reservoir vacation village has green mountains on three sides and jade green waters on one. It has simple and tasteful villages, plus dance halls, shops, a race track, an electronic games room, and such places for entertainment. Every weekend compatriots from Hong Kong swarm here to go boating on the lake, to dangle hooks in the water from shore, to go shooting in the mountains, to ride horses, and otherwise enjoy themselves. In addition, other places such as Xili Lake vacation village, Xiangmi Lake vacation village, Nantou lichee grove, the warm springs at Yulu, and Maojiashan Park provide such enjoyment that people do not want to return home.

Once the Guangzhou-Shenzhen section of the railroad has been modernized, Hong Kong, Shenzhen and Guangzhou will be more closely connected to each other, and the line will become one of the busiest trunklines in the country. It will make an even greater contribution to the burgeoning of the Shenzhen, Zhuhai and Shantou SEZ's, petroleum exploitation in the South China Sea, and development of foreign trade and tourism.

TRANSPORTATION

ROLE OF LAIZHOU-FUZHOU RAILROAD EXPLAINED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 85 pp 11-12

[Article by Cai Shaoyuan [5591 4801 3293]: "Fujian Province's SEZ Second Artery--the Laizhou-Fuzhou Railroad"]

[Text] There are two railroads serving the special economic zones [SEZ's] in Fujian Province. The first is the Yingtan-Xiamen Railroad, which cuts across the middle of the province, running from Yingtan to Dongdu Harbor in Xiamen. The second is the Laizhou-Fuzhou line, which runs eastward from Liefu station on the Yingtan line to Mawei Harbor.

Status of the Line

The Laizhou-Fuzhou line starts from Laizhou in the west and heads eastward through Nanping, crossing the Min Jiang at Chuyangping. Along the north bank of the Min Jiang, it goes through Eyang, Shuikou, Mingqing, and Fuzhou, terminating in the east at Mawei Harbor after having traversed 27 stations over a distance of 214 km. The actual point where this railroad intersects the Yingtan line is at the Waiyang Station south of Laizhou; hence, it is alternatively called the Waiyang-Fuzhou Railroad.

Construction of the Laizhou-Fuzhou Railroad began in March 1956. By November 1957, tracks had been laid to Eyang. Track laying between Eyang and Mawei was suspended for a time to be resumed in 1958. On 1 December 1959, the line was opened to Fuzhou and its operation formally commenced. In 1970, construction of the whole line from Laizhou to Mawei was completed and the line was opened for service. This railroad line was designed to third-class railroad standards; grade was limited to 1.2 percent and the radius of curves to 250 meters. The effective length of the arrival and departure line in the initial phase was 450 meters, and allowance [yuliu-7315 3966] was 560 meters. Locomotive pulling was fixed at 1,500 tons. Consideration was given during construction to Fujian Province's plans to build a reservoir at the mouth of the Min Jiang. In order to save on investment while satisfying transportation needs for 10 years, simple construction standards were used in the 62.7-km--long reservoir area, and minimum curve radius used was 200 meters. As a result of the few low fiducial points along the line, after it was turned over for operation, the line's transportation capacity was very greatly restricted.

Furthermore, over the years it also sustained damage from typhoons and floods, and landslides, cave-ins, scouring of the river bank and roadbed subsidence. During a particularly severe flood in 1962, the large bridge across the Min Jiang was struck by a raft, collapsing the bridge piers. The line was not reopened to traffic until 1963.

This line has been improved over the years, the emphasis being on reinforcing it, eliminating defective places and adding seven intermediate stations for an improvement in ability to pass through some difficult areas. Operation was limited at first to the area between Yingtan and Nanping, with two passenger cars and three freight cars running between Nanping and Yong'an. With the building of Mawei Harbor and development of foreign trade, the volume hauled rose very rapidly. Today the number of passenger cars has increased to 8 and the number of freight cars has increased to 16. This includes timber-hauling cars headed for Nanxiang that carry early 5 million tons annually. This is one-third the volume of freight hauled by Fujian's railroads.

Material Resources Along the Line

The climate is temperate, rainfall copious, and forests lush along the line. Nanping has been termed the "green treasury," with a 2.57 million mu forested area that has provided the country more than 7.5 million cubic meters of timber during the past more than 20 years. Every day direct trains are made up at the Dazhou timberyard at Anji station and at Nanping and Xiqin stations to load and transport timber to Nanxiang station and beyond. The Nanping Paper Mill produces more than 130 tons of newsprint daily, which it provides to several publications, including RENMIN RIBAO. A new electronics industry has begun to take shape, and is able to produce scores of products including medium- and shortwave broadcast transmitters, small radio stations and tape recorders. The high-grade Five Rams Brand cement produced by the Nanping Cement Plant is marketed as far away as the countries of Southeast Asia, and in 1979, the plant was issued a national gold award for quality.

Local products produced along the route of the railroad are numerous and varied, including moso bamboo, tea oil, tung oil, and bamboo shoots, and more than 10 special products, including dried bamboo shoots, mushrooms, and rosin, are renowned both in China and abroad. Gutian County was once foremost in the country in the production of straw mushrooms. In recent years, tremella has emerged as a new star in Gutian, which has become renowned throughout the country for the production of tremella.

The Min Jiang is the largest river in the province and offers abundant water conservancy resources. The Gutian hydroelectric power station constructed during the 1950's is the largest hydroelectric power station in the province today and supplies Fuzhou, Nanping, and other cities and counties with electricity. The Shajikou hydroelectric power station currently under construction will have an installed capacity of 300,000 kw. After it has been completed and goes into production, it will generate 960 million kwh per year and will play an active role in development of Fujian Province's energy and water conservancy.

Fuzhou City's arts and crafts are renowned throughout the country. They are of many styles, colors, and varieties, and technicians are in abundant supply. Output value from this source is highest in the country. The most noteworthy products are bodiless lacquerware, wood carvings, Taishan stone carvings, ivory carvings, cork paintings, porcelain figurines, embroideries, gold and silver jewelry, etc. Current exports of arts and crafts amount to more than 10 million yuan annually, and sales are to 75 countries and regions.

Urban Scenery

Minqing was known as Meixi County during the Tang Dynasty, but the Mei River and the Min River converge here, the Min being turbid and the Mei being limpid, so the name was later changed to Minqing [Clear Min] County. In the county is Baiyan Shan containing jagged rocks with grotesque shapes. Legend has it that there are 105 sites of natural rock landscapes around which white clouds swirl in all manner of shapes and forms. During the Tang Dynasty, a temple was built atop Lianhua rock on Baiyan Shan. Southern Song philosopher Zhu Xi visited this mountain, and inscribed on a rock in his hand are the characters, "Ancestors from Fujian." Here are caves containing white snakes and caves containing bats, a ray of light gleaming here and an expanse of rocks there. On both sides of a temple are statutes of Guanyin carved in the rock, pearl curtains, footprints of immortals as well as a bed of the immortals, immortals' boots, and such beautiful rock scenes. Tourists from both China and abroad praise the scenes at Baiyan Shan.

Fuzhou, the capital city of Fujian Province, is an ancient city with more than 2,000 years of history. Because of the widespread banyan forests, it is alternatively known as "banyan city" or Rongcheng. Halfway up Gu Shan, a renowned tourist site, is Yongquan Temple. At the temple door tower two 7-meter-high eight-tiered Beijing pottery pagodas, each of which bears a relief sculpture of 1,038 Buddhas, hence the name "1,000 Buddha Pagoda." On the highest peak of the mountain is an inscription in stone that reads, "Winds in the sky and waves on the sea," plus a pavilion. When one stands on the top of the peak and looks off into the distance, one sees the ocean's mist-shrouded waters dotted with fishing boats and the Min Jiang coursing like a ribbon, the banyan city looking like felt. If one goes up before dawn to see the sun rise, the rays of the rising sun gleam in myriad tracks across the surface of the sea offering a magnificent view. Walking westward from Yongquan Temple are the famous 18 views. There is the "forget-to-return stone" made famous by the outstanding Song Dynasty calligrapher Cai Xiang and the inscriptions on themes of national heroes Li Gang, Wen Tianxiang, and others, all in various authentic calligraphic styles including grass writing, the official script of the Han Dynasty, seal script, and square-style characters, which are a feast for the eyes. Fuzhou also has other famous ancient sites including Yu Shan, Tantai Shan, Xichan Temple, and Kaiyuan Temple.

Mawei is an important port for Fujian Province's opening to the outside world. Here the railroad runs right down to the wharves to connect land and harbor transportation. Mawei is one of China's earliest naval ports and today it still has a naval academy and gun armaments. Another famous tower on Guozhou Shan. It is 31.5 meters high and was built during the Song Dynasty.

During the reign of the Wanli emperor in the Ming Dynasty it was destroyed by ocean winds. During the reign of the Tianqi emperor [1621-1627], it was rebuilt as a seven-story octagonal stone pagoda, each level of which has a masonry balustrade and rain gutters. On the points of the octagonal stories are Buddhas and beneath the eaves hang bells. When the breezes blow, the bells chime. "Hear the bells in the gentle breeze; when the moon is near one's home, one feels content." When returning by sea, as soon as they see the stone pagoda, people immediately experience an especially profound feeling.

Prospects

The Laizhou-Fuzhou Railroad is still in operation, and with the development of Fujian Province and the SEZ, its volume hauled has increased fourfold from the time it began operation. During 1984, the Fuzhou Railroad Branch Bureau carried more than 13 million passengers and more than 14 million tons of freight, one-third of which went via the Laizhou-Fuzhou line. Fuzhou station alone dispatched 10,000 passengers daily. The tremendous growth in volume hauled has strained the line's capabilities. Now the 250-meter curve radius and the 1.2 percent grade limit are continuing to be improved. With the building of large and medium-size hydroelectric power stations along the line, some of the Laizhou-Fuzhou line will be improved. Once the hydroelectric power stations have been built, conditions will exist for the electrification of the line. The SEZ has splendid prospects, and this steel and iron artery will play a better vanguard role in the development of the SEZ and the tourist industry.

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TRANSPORTATION

HENAN OFFICIALS REPORT BRIDGE NEARLY FINISHED

OW162137 Beijing XINHUA in English 1921 GMT 16 Apr 86

[Text] Zhengzhou, April 16 (XINHUA)--The longest highway bridge over the Yellow River is expected to open to traffic by October this year, according to construction officials here.

The bridge, situated near Zhengzhou, capital of Henan Province, is 5,500 meters long and 18 meters wide, with its biggest span stretching 50 meters.

Construction workers completed sinking all of its 138 piles earlier this month.

Since 1949, China has built more than 40 bridges over the Yellow River, which winds 5,464 km through nine provinces and autonomous regions, making it the second-longest in China.

At present, there is only a single-line highway bridge across the Yellow River, at Zhengzhou, one of the busiest hubs in China, causing serious traffic congestion.

Located in a high-risk flood area, the bridge is designed to withstand any force of water, according to officials of the Henan Provincial Communications Bureau.

For example, each pile with a diameter of 2.2 meters has been driven 65 meters deep. Bureau officials said this is the first time for China to adopt such a technique. A recent ultrasonic test shows that 99.7 percent of the piles are of good quality.

Construction of the bridge started in July 1984.

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CSO: 4020/285

TRANSPORTATION

BRIEFS

NEW REGULATIONS IMPROVE AIRPORTS--Beijing, April 14 (XINHUA)--The State Council has issued regulations to maintain air safety through improved management. Included are stipulations covering the areas of airport construction and expansion, aircraft, control systems, sanitation emergency facilities and training of personnel. The Civil Aviation Administration of China (CAAC) plans to computerize the navigation systems at the airports in Dalian, Xian, Wuhan, Chengdu and Kunming this year. At present, only the airports in Beijing, Shanghai, and Guangzhou are equipped with advanced navigation systems, according to China news service. China will also expand three of its 90 airports this year to accommodate Boeing 737 and Trident planes, the service said. [Text] [Beijing XINHUA in English 0744 GMT 14 Apr 86 OW] /8918

NANJING HARBOR CARGO CAPACITY--Nanjing, 8 Apr (XINHUA)--Work has started on 13 new berths at the Xinshengwei Development Zone at Nanjing Harbor, Jiangsu Province, China's biggest inland river port. Five of the berths will be able to handle 10,000 dwt ships, one is for 10,000 dwt container freighters and the remaining 7 for 1,000 dwt ships. They will be able to handle more than 5,300,000 tons of cargo a year after 1990. The expansion is part of the second stage of construction at Xinshengwei, a key state scheme during the Seventh 5-Year Plan (1986-1990). Other developments include an international club, a warehouse, and telecommunications facilities. The first phase, which includes 3 berths for 10,000 dwt ships, went into operation last October. Nanjing Harbor has 130 berths, and handled 36 million tons of cargo last year. [Text] [Beijing XINHUA in English 1508 GMT 8 Apr 86 OW] /8918

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